

RIVERSIDE

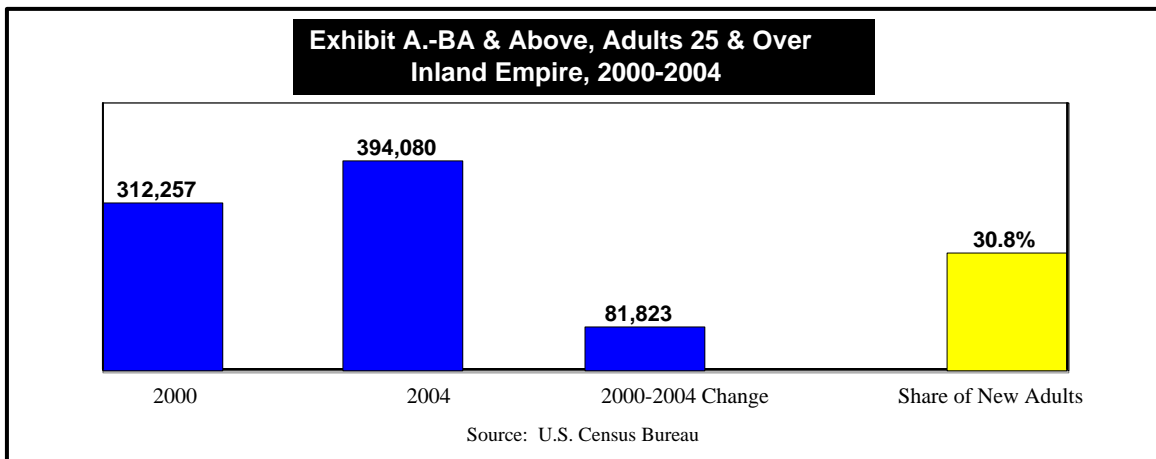
SECTION 1

INTRODUCTION

Riverside is at a point in its history when nearly every force driving economic growth is working to the city's advantage. In 2005, the community of 285,537 people was California's twelfth most populated city and led the rapidly changing Inland Empire in most measures of economic power including population, income, employment, payroll, bank deposits, assessed valuation, and college students. In 2003, the city had the fourth highest volume of retail sales in suburban Southern California behind Anaheim, Irvine and Ontario. Where Riverside's measure of standard of living were relatively average in 2000, this is also changing. Its median new (\$565,329) and existing (\$393,641) home prices have moved into the top group among the Inland Empire's cities. The city's per capita retail sales level has risen 42.9% to \$16,215 from 2000-2004. Its per capita assessed valuation has increased 40.8% from FY 2000 to FY 2006, reaching \$63,872. In the city's market area (*Riverside, Moreno Valley, Perris, Corona, Norco*), there is now a population of 839,988 people. In 2004, within the city's zone of influence, there were 226,174 people living in households with an average household income of \$82,905.

Looking ahead, several key economic forces have shifted to Riverside's advantage:

- The very high prices of residential real estate in Southern California's coastal counties have caused an increasing flow of young, well-educated workers to migrate to the Inland Empire's growing stock of upscale homes, with many locating in or adjacent to the city. Thus, from 2000-2004, the number of inland residents with BA's or higher degrees rose by 81,823 or 30.8% (*Exhibit A*). Of these, 6,380 were in the city of Riverside and many more in the adjacent Woodcrest area.



- The inland region's long dormant office market is beginning to surge as firms increasingly find they must serve the area's population and businesses from local locations. As a major central city, Riverside is a primary beneficiary.
- The strength of the inland area's retail sales has finally convinced high-end retailers that they need to locate within the area. Again, Riverside is seeing them seek outlets in its centers and malls.

- Downtown Riverside is at the tipping point where a critical mass of retailers, restaurants and the success of the Mission Inn are starting to make it an entertainment and shopping destination.
- Enrollments are at record levels at the University of California Riverside, Riverside Community College, California Baptist University and La Sierra University. The probability of a medical school opening at UCR now appears greatly increased.
- Lack of industrial space along the western edge of the Inland Empire is sending more and more industrial projects deeper inland, creating blue collar job opportunities for the significant share of Riverside's workers who need that form of employment.
- DHL has elected to put its western U.S. hub for air cargo and package handling at joint use March Air Reserve Base, increasing the attractiveness of the surrounding area for employers needing access to that capability.
- Riverside's city owned utility is able to offer long term lower electrical rates to big energy users, a serious location advantage since California's energy crisis.
- Riverside and San Bernardino county voters passed ½ cent sales tax measures allowing continued investment in the area's transportation infrastructure. One of the first benefits will be completion of the I-215-SR91-SR60 interchange expansion in Riverside.
- Riverside's voters passed Measure GG by 63% opening city boards and commission to wider city representation. This will allow them to become a training ground for a broader spectrum of future leaders, an important consideration for such an ethnically diverse city.

To some extent, Riverside's ability to capitalize on these changes to its competitive position will be determined by policies emanating from City Hall. As good policy ultimately is grounded in a solid understanding of the facts about a community, this report presents a comprehensive look at the available data on Riverside's demographic, economic and quality of life.

Section 2.-Demographics. During the past 20 years, Riverside County has been the fastest growing area of California. People and firms have migrated to the region to take advantage of its modestly priced homes, vast swaths of undeveloped land and its less congested lifestyle. As the county seat and home to a major University of California campus, the city of Riverside has benefited from this growth. Now, with residential and commercial land disappearing west of the city and companies increasingly wanting to be near major educational complexes, the city is seeing a further expansion of both its population and job base.

From 2000-2005, Riverside went from 255,166 to 285,537 people, a gain of 30,371 (11.9%). In this period, Riverside County added 331,613 people (21.5%). From 2000-2005, the city had the fourth largest population gain among the Inland Empire's 48 cities. Riverside's population density is modest with its 3.10 people per occupied dwelling unit, the lowest among major Inland Empire cities. Its 2004 population of 285,537 made it the region's largest city well above second placed San Bernardino (199,803). Bakersfield (295,893) and Anaheim (345,317) were the California cities just larger than Riverside. Those concerned with retail markets note that, within Riverside's zone of influence, there will be 345,926 people by 2010 and 390,357 by 2020.

Riverside is growing largely because Southern California's coastal counties are running out of land and their home values have reached extraordinary levels. Families across the income spectrum are thus migrating to inland cities like Riverside where they can acquire homes from af-

fordable to luxurious at relatively modest prices. By 2004, the city's median family income was \$65,302. Its average household income was \$49,733 and its per capita income was \$21,018. Each of these was a little below the equivalent income measures for Riverside County: \$51,075 (*median*), \$66,986 (*average household*) and \$21,967 (*per capita*).

However, in 2004, Riverside's total personal income reached \$5.82 billion, well ahead of Rancho Cucamonga (\$4.33 billion). And further analysis of the income data shows that in 2004, 226,174 people in the city's census tracts lived in households with an average household income of \$82,905 and 195,069 in households with an average household income of \$91,341. This strong picture emerges because the city's lowest income groups include a large number of full time students living in the city and attending its four colleges. It is the reason the city's retailers have consistently exceeded management's expectations. This picture is reflected in the city's income distribution in 2004, with its largest share households, 19.0%, earning \$50,000-\$74,999 and the next largest group, 17.8%, earning \$100,000 or more. On the other hand, 24.0% of the city's families were estimated to be in the three brackets making \$24,999 or less including many full time college students.

Riverside is becoming an increasingly diverse city. The U.S. Census Bureau's 2004 American Community Survey found that the largest share of Riverside's population was the 45.4% who self-identified as Hispanic. This compared to 38.1% in 2000 and was above Riverside County (40.0%). In the city schools, 54.3% of the students were Hispanic. Riverside's second largest group were the 36.6% Whites compared to 45.6% in 2000. The county's share was 47.2%. The city's school children were 31.3% White. Asians and Pacific Islanders were 8.7% in city, up from 5.9% in 2000 and more than the county's 4.7%. They represented 5.0% of the school children. African-Americans represented 7.7% of Riverside's residents, up from 7.1% in 2000 and larger than Riverside County's 5.8%. The group made-up 5.0% of school children.

In 2004, the American Community Survey found 19.9% of Riverside's adults had a bachelor's degree or higher. This was more than Riverside (19.0%) or San Bernardino (17.1%) counties. It was much less than Los Angeles County (27.9%), San Diego (33.0%) and Orange (33.3%) counties. Much of Riverside's population is modestly educated with 52.3% of its adults 25 & over having stopped their schooling at a high school diploma or below. That was above the 44.1% average for Southern California as well as the Inland Empire's average of 49.2%. Meanwhile, the influx of upper middle class families into Riverside is no doubt adding people to the city whose educations are above the city's average. This is implied by the incomes needed to buy the city's \$393,641 median priced existing home and \$565,329 new home in 3rd quarter 2005.

Riverside's 2004 age profile is unusually young. The 18.4% of its residents in the 25-34 year old age group was far above the 14.3% found in the Inland Empire generally. This was also true of the 11.9% aged 20-24, which was well above the region's 7.9%. The city's second and third largest groups were young people 10-19 years old at 14.8% and children 0-9 year olds at 14.3%. In 2004, some 16.6% of Riverside's population was over 55 versus 17.4% for the Inland Empire. This profile appears to be related to the city's large number of Hispanic families.

Section 3.-Housing. Riverside is a centrally located major city with an extraordinary architectural heritage and a wide range of housing types because of the many decades its homes have been developed. Within the city's sphere of influence, the Orange Crest area and unincorporated Woodcrest areas have most of the available undeveloped residential land where new homes are being built. These markets are on the city's southern border close to Orange County where home prices have reached extraordinary levels forcing even upper middle class families to migrate

inland. They are exerting an upward influence on the sizes and prices of new homes being built in the city's zip codes.

Thus, Riverside's new homes traded at a median price of \$565,329 in third quarter 2005, up 22.3% from that period of 2004. The city's new home price ranked second among large Inland Empire cities behind Corona (\$630,152). The 22.3% gain in Riverside's 2005 new home prices was the fourth highest among these cities which ranged from San Bernardino (40.9%) to Murrieta (3.9%). Its new home volume peaked at 1,750 in 2002. It was 822 units in 2004 due to a lack of permitted lots and returned to 1,084 in 2005. This ranked sixth among Inland Empire markets behind Fontana (1,448). The range is from Murrieta (3,630) to Ontario (254).

Riverside's median existing home price also set a record at \$393,641 in 3rd quarter 2005, up 23.5% from that period of 2003. Riverside's median price was the seventh highest among major inland markets which ranged from Rancho Cucamonga (\$511,548) to San Bernardino (\$291,986). Riverside's 2005 existing home sales of 6,016 units were a record, surpassing the 5,931 in 2004. The city's sales ranked first among the 48 inland cities followed by San Bernardino (4,882).

One concern for Riverside's policy makers is the fact that only 18% of Riverside County's residents, at the county's median income, can afford its middle priced home. With 50% of the county's housing affordable to only 18% of residents, much of the local housing market is being driven by buyers with high incomes from Orange and San Diego counties. In 3rd quarter 2005, they found Riverside's median existing home price of \$394,000 was well under coastal prices: \$91,000 below Los Angeles (\$485,000), \$156,000 below San Diego (\$550,000), \$256,000 below Orange (\$650,000). Meanwhile, the increasing square footage of Riverside's new homes and their \$565,000 median price was largely a response to buyers from Orange County where the median home was \$162,000 more expensive (\$727,000). However, Riverside's price was \$113,000 higher than Los Angeles County (\$452,000) and \$100,500 above San Diego County (\$464,500) due to the larger homes being built in the city. For a 3,000 square foot home at the city's average price per foot, Riverside's cost would be \$816,000. That was well below coastal levels: San Diego (\$1,047,000), Los Angeles (\$1,149,000), Orange (\$1,269,000).

In the multifamily market, Riverside's 2nd quarter 2005, average apartment rental rate of \$1,005 was up 6.1% from that quarter of 2004. This rental rate was the Inland Empire's sixth highest. The city's low 4.0% vacancy rate matched the regional average. The city's average rental rate was below the Inland Empire's \$1,029 average. Vacancy rates are low and rents are rising due to the rising cost of detached homes plus demand coming from coastal county families migrating inland seeking affordable rental units.

From 1990-2004, Riverside's housing stock grew by 13,211 units (16.5%) to 93,451. The growth included 9,138 single family units, 4,557 multi-tenant and 484 fewer mobile homes. In 2004, 11.5% of Riverside's housing stock was sold, a modest level among major inland markets. At the same time, just 4.6% of the city's dwellings of all kinds were vacant putting it in the lower half of large inland markets. Finally, the pick-up in Riverside's 2005 new home sales was predicted by the rise in 2004 building permits from their recent low of 689 in 2003. The city's share of Riverside County's permits was 2.8% in 2004.

Section 4.-Employment & Payroll. Riverside's job base reflects its historic position as a retail, government, education and traditional manufacturing center. For instance, in 2004, the high paying governmental sector represented 13.5% of city employment against just 8.8% for the region. Since 2000, the city has been adding jobs faster than the Inland Empire, the state's fast-

est growing region. This is a reversal of the 1990s, when the city was adversely affected by the nation's defense realignment that took jobs from Rohr and March Air Force Base. Of late, the city has benefited from the fact that the I-15 corridor from Corona to Rancho Cucamonga is running out of land, pushing the impetus of job and payroll growth deeper inland towards Riverside.

Looking forward, Riverside has numerous strengths. High-end workers are now migrating to its growing base of upscale homes. The University of California Riverside, La Sierra University, California Baptist University and Riverside Community College are in the city. Its workers will work for less to avoid long commutes, giving local firms a wage cost advantage compared to Los Angeles and Orange counties. The city's industrial lease costs are well below those in coastal counties. Its electrical rates are a California bargain, and the city is intensively involved in broadband deployment and technology park development.

Between 1991-2004, Riverside's employment rose from 108,526 to 155,763, up 7,237 jobs or 43.5%. The city's employment was led by the low paying retailing sector (25,392), followed by the high paying education (21,006) and government (20,988) sectors. From 1991-2004, the city's fastest growing sector was education (8,610), followed by construction (6,897) and retailing (6,852). From 2003-2004, a gain of 7,848 jobs (6.3%) was led by retailing (1,602) and distribution (1,181). In the past three years, its job growth rates of 3.9%, 6.3% and 5.3% exceeded the region's 3.2%, 3.3% and 4.4%. This growth was accompanied by changes in the city's economic composition. In 2004, retailing was Riverside's largest sector with 16.3% of jobs, but down from 17.1% in 1990 as the economy became more diversified. Government had the city's second largest job share at 13.5% in 2004, down from 14.4%. Third ranked education represented 13.5% of city jobs, up from 11.4% in 1990. The worst performance was in manufacturing which fell to 8.5% in 2004, down from 13.4% in 1991.

The payroll released by firms located in Riverside has followed a pattern similar to employment, but more aggressive. From 1991-2004, city payrolls more than doubled from \$2.6 billion to \$5.6 billion, up \$3.0 billion (113.8%). Adjusting for the 37.0% inflation, the payroll was up \$2.0 billion (76.8%). In 2004, Riverside's largest payrolls were in government (\$983 million), education (\$764 million) and construction (\$621 million). From 1991-2004, the largest gains were in education (\$488.3 million), government (\$477.2 million) and construction (\$396.3 million). From 2003-2004, the largest share of the \$542.4 million payroll gain was from health care (\$62 million, 11.3% share), followed by distribution (\$55 million, 10.2% share) and government (\$50 million, 9.3% share).

Average annual pay per job in Riverside rose from \$23,991 in 1991 to \$35,737 in 2004 up \$11,746 (49.0%). This was partially offset by the 37.0% increase in prices, leaving the average job with \$2,880 more purchasing power (12.0%). In 2004, Riverside's best paying sectors required higher levels of skill or education: utilities (\$51,840), finance, insurance & real estate (\$50,408), engineering & management (\$48,656), government (\$46,841) and health (\$42,541). Of these, only government and health are leading job providers. Retailing, the top sector in jobs, offered low average pay of \$22,295. Among blue collar sectors, logistics & distribution (\$36,256) saw its average pay jump 63.3% from 1991-2004. Construction paid better (\$38,958) and its pay grew 56.7%. Manufacturing paid the most (\$41,234) but its average pay grew the least, 35.1%.

From 1991-2004, the number of firms in Riverside grew from 5,318 to 6,622, up 1,303 (24.5%). This only include firms with payroll. In this 13-year period, the city saw 404 new firms in other "consumer services", followed by distribution (210) and retailing (157). Riverside's economy is dominated by small firms, with the average employment growing slowly from 20.4 to 23.5 jobs

from 1991-2004. Except for government, education and employment agencies, firms averaged under 35 workers led by manufacturing (31.6), utilities (29.8) and health services (26.3).

A comparison of the sectors in which Riverside's residents worked (*locally or as commuters*) versus the local jobs available shows the balance between jobs needed in the city to the jobs available. For the top sectors, the balance was: education (21.2% worked; 22.7% local jobs), retailing (14.0% worked, 16.3% local jobs), manufacturing (11.6% worked; 8.5% local jobs), professionals (10.6% worked; 8.5% local jobs), transportation & communications (9.5% worked; 7.8% local jobs) and construction (9.3% worked; 10.2% local jobs). In occupational categories, 27.7% of Riverside's residents were managers or professionals in 2004 versus 25.3% for the Inland Empire. In construction, it was 12.6% versus the region's 11.2%. On the other hand, just 13.2% of the city's workers had service jobs versus the region's 15.2%. That was also true of production and transportation (11.6% v. 13.6%).

Section 5.-Retail Trade. Under California law, a city's discretionary budget is heavily dependent upon the retail sales tax. Growth in this source of funds allows communities to increase their fire, police, senior, recreation and other programs aimed at serving local residents. In 2004, Riverside's sales reached \$4.60 billion, up 15.7% from 2003. This gave it the fourth highest sales in *suburban* Southern California after Anaheim, Irvine and nearby Ontario (\$4.66 billion). Riverside's success is occurring because of its large and fast growing population, its central location within the Inland Empire, and the rising per capita incomes associated with the region's new high-end homes. The city offers shoppers a very successful auto mall and numerous retail centers including the regional Tyler Mall, several home improvement power centers and the recently renovated Riverside Plaza. Soon, the new Canyon Crossings center will be added to this mix. The one exception to the city's retail strength is a relatively weak base of direct sales by non-store outlets like distribution centers.

Given the importance of the retail sales tax to municipal finance, taxable retail sales *per capita* is a good barometer of a city's ability to provide services to its population. Here, Riverside fares moderately well. Its 2004 per capita sales were \$16,215. This was \$2,653 or 19.6% higher than Riverside County's \$13,561. The city's advantage is growing. It was \$1,813 in 2002 and \$1,913 in 2003. Among the 48 cities of the Inland Empire, Riverside's per capita sales ranked 17th. Among major inland population centers, two smaller cities with large malls had the highest per capita sales: Temecula (\$30,803) and Palm Desert (\$29,947). They were followed by Ontario (\$27,152) due to its heavy non-store sales, Victorville (\$21,402) and Corona (\$20,065). San Bernardino (\$16,216) and Riverside (\$16,215) were essentially even.

From 1990-2004, Riverside's retail trade increased \$2.4 billion (106.8%) while prices rose 42.5% indicating that the underlying volume of trade grew substantially. The largest share of this gain was from vehicle sales (*up \$726 million, 30.6% share*) and non-retail outlets (*up \$454 million, 19.1%*). The latter group includes professional & service firms, construction contractors, and manufacturers & distributors selling directly to the public. The next largest share of the gain was \$312 million from sales by general merchandise stores (13.2% share). From 2003-2004 alone, the top three gains were non-retail (23.6% share), automotive (21.8% share) and general merchandise (14.6% share). From 1990-2004, as the city's retail base has grown, the importance of its sectors has changed. Vehicle sales have become significantly more important going from 17.9% to 24.4% of the market at \$912 million. Despite a \$453 million gain in sales to \$764 million, non-store outlets fell from a 20.6% to 19.8% share. Third ranked general merchandise outlets fell from 14.1% to 13.6% while sales rose by \$312 million to \$537 million.

Riverside's retailers generally outperformed those in the Inland Empire. The city's average retail store had sales of \$969,681 in 2004 compared to \$891,256 in Riverside County and \$812,376 in San Bernardino county. However, when the city's non-retail group is included, its average sales per outlet of \$577,336 was a little below Riverside County's \$583,430. Meanwhile, the city's average sales per outlets were above Riverside County's average in just four of ten retail sectors. Those with the largest average sales advantages were building materials (*\$1.5 million higher*) and automotive (*\$684,633 higher*). Those with the greatest underperformance were service stations (*\$404,110 lower*) and food outlets (*\$250,431 lower*).

Finally, Riverside's 2004 per capita taxable sales average of \$16,215 was \$2,448 above the averages for Riverside County (*\$13,766*) after the county's average was *adjusted downward 2.6%* for the fact that its higher median income was a little above that of the city. After these adjustments, the city's strongest sectors, where it was capturing sales from nearby communities, were in the automotive, general merchandise and building materials sectors. It had smaller advantages in most other sectors. However, the city lost minor amounts of purchases by its residents among furniture, food and service station outlets. The city's weakest sector is among non-store sellers again highlighting that taxable sales by its manufacturers, distributors and contractors are much weaker than other county jurisdictions.

Section 6.-Industrial Real Estate. From 1994 to March 2005, the Inland Empire industrial real estate market has been booming. Altogether, the urbanized portion of the region saw 1,254 major firms either open new operations or change locations to expand. Of these, Riverside accounted for 124 companies or 9.9% of the market. Not counting secondary impacts, the city's expansions planned on adding 9,414 jobs to the city's economic base upon opening. This was 8.4% of the total jobs announced by firms moving to or within the Inland Empire. It was the second largest number for a Riverside County city after Corona (*10,642*).

Of the firms expanding in Riverside, most have been manufacturers (69), some were distributors (23) or service firms and agencies (32). Office firms are underestimated as the database has a minimum size of 5,000 square feet. The city's manufacturers averaged 994 square feet of space per worker (*regional average: 991*), the distributors used 1,869 square feet (*regional average: 2,153*), and the office firms averaged 233 square feet (*regional average: 279*). Of the 124 companies coming to Riverside, 22 migrated from Los Angeles or Orange counties; 40 were either new to Southern California or new expansions of Southland firms; 62 firms moved from elsewhere in the Inland Empire.

The dominant characteristic of Riverside's expanding firms is the fact that they come from a wide variety of sectors with none of them particularly large. In addition, the city has gained many more service firms than the average Inland Empire city due to its role as a county seat. This diversity is a strength since Riverside makes it less vulnerable to fluctuations in any particular sector. The largest number of new jobs came from 23 distributors that added 1,795 positions at the time they began operations. Telecommunications, including call centers and communications firms, was next with nine new firms adding 1,583 jobs. Energy dependent plastic injection firms were next with seven firms and 649 jobs.

Fundamentally, Riverside's industrial zones are doing well due to the dynamics of the surrounding Inland Empire economy. The area's gross industrial absorption began accelerating in 1997, rising from a floor of 10 million gross feet during California's recession to 48.0 million in 2001. Volume settled to 21.6 million square feet for the year ended September 2005 as lack of space inhibited absorption (*vacancy: 2.6%*). However, this still constitutes the most aggressive indus-

trial market in the United States. Within the Inland Empire, Grubb & Ellis estimates that Riverside had 24.6 million square feet of manufacturing & distribution space in June 2005. That was 7.3% of the 335.3 million square feet in the region, seventh highest among its cities. The largest supply was in Ontario (84.5 million sq. ft.). Corona (24.7 million sq. ft.) was just above Riverside. Southwestern Riverside County (13.1 million sq. ft.) was the next smallest..

Of Riverside's space, 2.97 million square feet was either vacant, becoming available or under construction and not pre-leased in June 2005. That was 12.0% of the city's inventory and the third largest amount available in the inland region. Available space is important to the city so it can accommodate firms looking for places to located. For Riverside, that need has accelerated since California's energy crisis highlighted the importance of its lower long term energy costs, at the same time that lack of space is forcing industrial firms to look east from the I-15 corridor.

Riverside's asking industrial space averaged \$0.38 a square foot/month in June 2005. This was a little less than the cheapest coastal alternative (*San Gabriel Valley*: \$0.47 sq.ft./mo.) and much less than Orange County's lowest market (\$0.55 sq.ft./mo.). Space with uncongested access to air cargo capability like that at March Air Reserve Base or Ontario International Airport was much higher near LAX (\$0.59 sq.ft./mo.) or John Wayne Airport (\$0.70 sq.ft./mo.). Also, coastal county space is mostly older and less compatible with modern supply chain technology. In June 2005, Riverside's asking rate was less than in Temecula (\$0.55 sq.ft./mo.), San Bernardino and Redlands (\$0.44 sq.ft./mo.) or Corona (\$0.45 sq.ft./mo.), but more than Rancho Cucamonga (\$0.36 sq.ft./mo.), Fontana (\$0.35 sq.ft./mo.) and Chino (\$0.35 sq.ft./mo.).

Riverside's industrial market has aggressively expanded of late for a variety of competitive reasons. One is the lack of undeveloped land along the Inland Empire's western edge that is forcing industrial firms deeper inland. For heavy energy users, the city's municipal utility allows them to buy electricity for up to 55% below rates at Southern California Edison. On a negotiated basis, firms can save another 40% on the first year of a special economic development rate and 20% for a second year. Meanwhile, Riverside offers the Inland Empire's litany of advantages including lower lease rates and workers willing to work for less to avoid commuting to coastal counties. It also gives firms access to several incentive zones including redevelopment areas, University Research Park, Agua Mansa Enterprise Zone, March JPA Cargo Port and Riverside Airport Industrial Area. For firms needing access to research, interns and graduates, Riverside is an education center with four colleges including the University of California, Riverside.

On the infrastructure front, Riverside offers companies uncongested access to air cargo through DHL's new western regional hub at joint use March Air Reserve Base. The city is also served by the Riverside Municipal Airport with 5,400 and 2,850 foot runways plus an FAA control tower and flight service station. In addition, Ontario International Airport with its UPS hub and six weekly flights to China is 25 minutes away. The city's firms can directly use spurs of Burlington Northern-Santa Fe Railroad (*BNSF*) and Union Pacific (*UPSP*) Railroads. Those producing non-toxic wastewater can hook-up to the Santa Ana Regional Interceptor brine line that transports it to the Pacific Ocean. Nearby, the city's companies have access to Yellow Freight Service's trucking cross-docks in Bloomington and San Bernardino plus BNSF's huge intermodal rail yard in that city. Riverside's firms are located on freeway arteries tying them to major Southern California markets and the eastern U.S. states. The I-215 links the city to San Diego County (*south*) and the eastern U.S. (*north*). The SR-91 ties the city to Orange County. The SR-60 provides links to Los Angeles County (*west*) and the eastern U.S. (*east*).

Section 7.-Office Real Estate. In 2005, the strength of the Riverside and Inland Empire office markets began coming into focus. The 2000-2020 forecasts from SCAG and the San Diego Association of Governments predict that the Inland Empire will add more people (1,764,194), jobs (805,286) and firms (60,756) than Orange and San Diego counties combined, and just a few less than giant Los Angeles County. Meanwhile, ratios of office jobs *to people, jobs and companies* show that the inland area's office market is already greatly under-serving its residents and economy. For instance, it has just 15.3 square feet of *office space per job*, far below Orange (63.6), Los Angeles (44.1) and San Diego (39.0) counties. This means that office firms continue to serve the inland economy from coastal county locations.

That situation cannot continue. The sheer size of the Inland Empire's economy is making it difficult for office firms to compete from remote locations. This difficulty is compounded by the increasing time required for reverse commutes into the region. It is therefore inevitable that there will be a burst of energy in the inland office market similar to that recently seen in its high-end housing and retail markets. To help this occur, the Western Riverside Council of Governments recently elected to not have office developments pay the increased TUMF fees applicable to other developments.

According to Grubb & Ellis, the Inland Empire office market had 20.3 million square feet of space in existence or under construction in June 2005. Riverside had the largest amount with 4.4 million square feet (21.8%). It was followed by San Bernardino at 3.4 million square feet. The region's other two major markets were Ontario with 3.3 million square feet and Rancho Cucamonga with 2.7 million. While the Inland Empire's office market is tight, Riverside does have 429,604 square feet of office space available (257,279 *sq. ft.*) or under construction and unleased (171,608 *sq. ft.*) of the region's 2.7 million square feet. The city's available space (16.1%) ranks third in the inland area after Ontario (592,315; 22%) and San Bernardino (563,800 *sq. ft.*, 21%).

In June 2005, the average lease rate in the city was \$1.85 per square foot month. This was less expensive than its coastal county alternatives where the lowest cost was north Orange County (\$1.99 *sq.ft./mo.*) Of the five major inland office markets, it was also less expensive than Corona (\$2.36 *sq. ft./mo.*) and Ontario (\$1.95 *sq. ft./mo.*). However, it was more expensive than San Bernardino and Rancho Cucamonga (\$1.75 *sq. ft./mo.*).

Meanwhile, market evidence supports an aggressive forecast of the Riverside and Inland Empire markets. The region's vacancy rate was just 7.2% in September 2005, making it the second tightest suburban office markets in the United States. Office space net absorption, which was negative as recently as first quarter 2002, reached 2.0 million square feet during the 4-quarters ended in September 2005. It was just 741,390 square feet during 2004. Now, absorption is being inhibited by lack of available space as the region's office market is small with just 20.3 million square feet of space. Los Angeles County had 9-times that amount of space (184 million *sq.ft.*), Orange County 3.5 times (69 million *sq.ft.*) and San Diego County three times (65 million *sq.ft.*).

With commuters willing to accept 10% to 15% less pay to avoid long commutes, the inland region's lower labor costs are also causing office operations to consider migrating to it. They now find that the area is rapidly developing the well-educated labor force they need. In part, this is occurring because high housing costs in Southern California's coastal counties have convinced thousands of well-educated technicians, professionals and executives to move into the inland region's new upscale neighborhoods like those in Riverside's Orange Crest and Woodcrest areas. It was shown earlier (*Exhibit A*) that from 2000-2004, there was an 81,823 (30.8%) increase in

Inland Empire adults with bachelors or higher degrees. Office firms also find that they have access to the professors, research, graduates and interns from the inland region's 16 four-year colleges and universities like the University of California Riverside, Cal Poly Pomona, Cal State San Bernardino plus the Claremont Colleges (*see next section*).

Riverside owns its own electrical utility. This provides the dual advantages of low electrical rates and corridors throughout the city with the finest fiber optic system available in the Inland Empire. As a result, every office in the city can access high speed broadband capability. In addition, downtown Riverside has the largest publicly supplied WIFI zone in the nation.

For those office firms needing access to air travel, Ontario International Airport is a 20 mile drive from Riverside. This facility is becoming the alternative for passengers wanting to avoid the delays and congestion at LAX. It has two 13-gate terminals, a new freeway off-ramp and vast new parking lots. In 2005, passenger volume will reach a record 7.2 million. It now has direct flights to nearly every major U.S. market. In Riverside, firms have access to the Riverside Municipal Airport with 5,401 and 2,851 foot runways, an FAA tower, a flight service station and instrument landing system.

These market conditions have caused the Inland Empire's office permits to reach record levels in 2004-2005. In Riverside, alone, construction includes: 135,000 square feet at Market Street & SR-60; 450,000 square feet in Mission Grove, Riverwalk and Canyon Springs; a 135,000 square foot 6-story building near city hall; and a 150,000 square foot 5-story headquarters for the Press Enterprise; and 350,000 square feet of garden style office buildings in Hunter Park.

Note: Riverside's office market offers a wide varied of situations and lease rates. In September 2004, CB Richard Ellis found that the market included: Downtown (\$1.96 sq.ft./mo.), Hunter Park (\$1.93 sq.ft./mo.), Magnolia Center (\$1.79 sq.ft./mo.), Canyon Springs (\$1.45 sq.ft./mo.) and Tyler (\$1.55 sq.ft./mo.) and Fairmount Park (\$1.34 sq.ft./mo.).

Section 8.-Quality of Life. As a mature and growing community, Riverside has devoted an increasing amount of community resources to education, parks and law enforcement with significant results. The community's high school students are performing well, its citizens enjoy a wide array of excellent parks, and the city's crime rate has fallen dramatically.

Education. Riverside's young people attend the Riverside and Alvord Unified School Districts. In academic year 2005, the Riverside district was Riverside County's second largest with 42,521 pupils. Alvord ranked tenth with 19,964.

Each year, the testing scores for California's school districts are used to create an index of how well their students are performing. Since the advent of this system, the Riverside and Alvord schools have improved each year at each school level. In 2004, Riverside Unified School District's scores exceeded the state: 746 vs. 735 at the elementary level, 713 vs. 703 at the middle school level and 704 vs. 670 at the high school level. However, the Alvord Unified School District tested below the state: 688 vs. 735 at the elementary level, 664 vs. 703 at the middle school level and 632 vs. 670 at the high school level.

Of Riverside Unified's Class of 2004, 35.1% completed college preparatory classes for the University of California-Cal State University systems. The share was 18.7% in the Alvord District. The average for Riverside County was 27.7%. It was 33.7% in California. Of the Class of 2005 in Riverside Unified, 45.2% took the Scholastic Assessment Test with an average score of 984, up from 970 in 2004. In the Alvord district, 26.9% took the SAT with an average score of 914, down from 931 in 2004. The average for Riverside County was 965. It was 1,020 for California.

On an achievement basis, the Riverside Unified district's students tested in the middle tier of students in Riverside County's major districts on the 2005 STAR tests. Alvord's students tested in the lower half. For instance, among 12 major county districts, the share of the Riverside district's 3rd graders scoring at or above the national 50% level ranked 4th in reading, 5th in math, tied for 5th in language and were 9th in spelling. Alvord's 3rd graders tied for 7th in language, and finished 10th in spelling and 11th in reading and math. The Riverside district was generally above California's averages, the Alvord district below them.

As stated earlier, Riverside's residents and businesses have easy access to large array of nearby private and public colleges and universities. Altogether, there are 22 campuses with a combined enrollment of 155,738 students. The University of California Riverside is in the city. It is a major research center in biotechnology, environmental science, engineering and information technology. The list of other campuses includes nationally known private, liberal arts schools like the Claremont Colleges and the University of Redlands. Impressive scientific work is being conducted at Harvey Mudd College and California State Polytechnic University at Pomona. Loma Linda University boasts one of the top medical schools in the world. California State University San Bernardino is the fastest growing campus in that system. There are five nearby community colleges including the 30,000-student Riverside Community College. Two excellent small universities are in Riverside: California Baptist University and La Sierra University.

Recreation. The City of Riverside has one acre of park land for each 100.4 residents, a very favorable ratio. These are located within 46 parks covering 2,844.8 acres. When the 147.2 acres at seven undeveloped sites are included, the system will ultimately have 53 facilities and 2,992.0 acres. The city's parks encompass wilderness areas, the UCR Botanical Gardens, the California Citrus State Historical Park, beautiful Fairmount Park with its large central lake, plus a wide variety and size of neighborhood parks with extensive facilities for individual and team sports as well as family outings.

A family oriented community, Riverside's recreation department provides an extensive youth program including classes in educational fundamentals and computer skills plus recreational offerings like karate, scuba and ice skating. Young people have access to a wide range of age group competitive sports including football, basketball, baseball, soccer, and tennis. During the school year, the city conducts after-school programs at nine middle schools where young people find tutors, academic work, recreational activities and clubs. Teens can enjoy early evening Teen Scene activities at eight community centers. There is an extensive aquatics program at the city's swimming pools. Riverside's adults can participate in basketball, volleyball and softball leagues, as well as recreation classes ranging from computer training to cake decorating and prenatal fitness. Seniors find an extensive activities organized through five centers spread throughout the community including parties, dances, potluck, field trips and speakers.

Crime. Riverside has become a much safer city. From 1993-2004, the U.S. Department of Justice reports that city crime per 1,000 residents fell 46.1%. In this period, the number of reported crimes decreased by 7,997 incidents (-35.6%) even though the city's population grew by 46,474 people (19.6%). The city's violent crime rate per 1,000 people was down 62.6% from 1993-2004. Its property crime rate was off 42.8%. Regionally, Riverside's violent crime rate of 6.3 incidents per 1,000 people ranked third among the eight Inland Empire cities with over 100,000 people below San Bernardino (13.3) and Pomona (7.5). Its property crime rate of 44.8 incidents per 1,000 people was well below San Bernardino (57.3). Its overall rate of 51.1 total incidents per 1,000 people was also well below San Bernardino (70.6).

Section 9.-Inland Empire Market. Finally, to fully understand the forces affecting Riverside, it is necessary to understand why the Inland Empire has become one of America's fastest growing places. From 2000-2020, the area's population is expected to reach 5.0 million by adding 1.8 million people or more than 43 of the 50 states. It will add a few less people than Los Angeles County (*1.9 million*) but more than San Diego, Orange, Ventura and Imperial counties combined (*1.5 million*). As a separate state, the region's January 2005 population of 3.8 million was already above 24 states, well passed Oregon (*3.6 million*). The region is expected to add 805,286 jobs from 2000-2020, also just less than Los Angeles County but more than the rest of the Southland combined. The latest income data show the Inland Empire with \$84 billion in total personal income during 2002 above 21 states.

Researchers make these predictions about the Inland Empire based upon their understanding of how Southern California's geography and economic behavior interact. Since World War II, the Southland has grown outward from central Los Angeles. At various times, this has made places like Orange County metaphors for West Coast growth. Inevitably, once congestion in the coastal counties caused their land and space costs to rise, this activity was forced into the Inland Empire. In Riverside's case, the city was historically a major community before growth began moving inland. It has since been impacted by these powerful Southern California forces.

These patterns underlie the Inland Empire's job performance. From 1990-1994, Southern California suffered a severe recession and decline in employment. However, there was no period when the Inland Empire's employment stopped growing. Thus, from 1990-2005, the region added 455,944 jobs versus 310,063 in San Diego County and 306,563 in Orange County. In 2004 alone, its 49,092 new jobs were equal to Orange and San Diego counties combined. Los Angeles County gained just 8,900.

In part, the Inland Empire's strong growth is occurring because it is the last area of the Southern California to have large amounts of undeveloped land along urban transportation corridors. This available "dirt" creates a location advantage for high-end and affordable home buyers and industrial/commercial developers. Thus in 3rd quarter 2005, median homes prices reached extraordinary levels in Los Angeles (\$481,000), San Diego (\$520,000) and Orange (\$660,000) counties. This is forcing families to migrate to the more reasonably priced Inland Empire (\$363,000), including growing numbers of professionals, technicians and executives who are locating in the area's rapidly growing base of upscale neighborhoods. As shown earlier, industrial space is similarly less expensive causing manufacturers and distributors to move inland. And, of late, the size and power of the inland economy has begun causing office users to join them.

Lower cost of land is not the only reason companies are migrating inland. Another is the fact that the local labor force will work for less to avoid long drives. In 2002, 31% of commuters to Orange and 26% to San Diego counties said they would take 15% less pay for an inland job, and 23% of those going to L.A. County would take 10% less. When these facts are combined with the growing educational level of inland workers, firms have powerful labor force incentives to follow their employees inland. In addition, the strong infrastructure advantages discussed earlier mean that once firms arrive, they can operate efficiently from within the region. Importantly, the area's air quality has improved dramatically with the number of days over federal ozone limits dropping from 195 in 1977 to just 30 in 2005. And, the region's climate is extraordinary. Riverside's lowest monthly temperature average is 66 degrees and its highest is 94 degrees.

Summary. It is impossible to review the economic forces affecting the city of Riverside and the Inland Empire without being optimistic for both. The region's economic advantages have

made it Southern California's fastest growing economy in real and absolute terms for nearly two decades. Now, those same forces are favoring cities a little deeper inside the inland area, meaning that Riverside has entered a long period in which its economy will become larger and more sophisticated. This is already being seen in the growing number of office firms, industrial operations and housing tracts, from modest to high-end, going up in the city. Increasingly, they will be joined by higher end shopping and the kind of cultural and entertainment options that go along with a growing and deepening economy.

RIVERSIDE SECTION 2 DEMOGRAPHICS

Riverside is one of Southern California's most historical cities. At the end of the 19th Century, it was the state's orange growing capital and one of America's wealthiest communities. The leaders of that era laid out a city with broad tree-lined boulevards and gorgeous architecture. Over the years, many of these neighborhoods have been preserved. This has provided the context for the development of what is now a very beautiful city of 285,537, the twelfth largest in Southern California (*Exhibit 4*).

During the past 20 years, Riverside County has been the fastest growing area of California. People and firms have migrated to the region to take advantage of its modestly priced buildings and homes, vast swaths of undeveloped land and less congested lifestyle. As the county seat and home to a major campus of the University of California, the city of Riverside has benefited from this growth. Now, with residential and commercial land disappearing west of the city and companies increasingly wanting to be near major educational complexes, the city is seeing a further expansion of both its population and job base.

Population. From 2000-2005, Riverside increased from 255,166 people to 285,537, a gain of 30,371 people or 11.9% (*Exhibit 1*). In this period, Riverside County has been the fastest growing major county in California, adding 331,613 people, a gain of 21.5%. From 2000-2005, the city's market area (*Riverside, Moreno Valley, Perris, Corona, Norco*) added 95,912 people (12.9%). In 2005, Riverside's 285,537 people made it the inland region's largest city well above San Bernardino (199,803) and Ontario (170,373). Bakersfield (295,893) and Anaheim (345,317) were the California cities with the next largest populations. In Riverside's zone of influence, it is anticipated there will be 390,357 people by 2020 and 429,142 people by 2030 (*Exhibit 2*).

Income. Riverside is growing because Southern California's coastal counties are running out of land and the community offers families the ability to pay relatively modest prices for homes ranging from affordable to high-end. As a result, families across the income spectrum are migrating to Riverside. By 2005, the city's median family income was \$49,733. Its average household income was \$65,302 and its per capita income was \$21,018 (*Exhibits 5-6*). Each of these was a little below the equivalent income measures for Riverside County: \$51,075 (*median*), \$66,986 (*average household*) and \$21,967 (*per capita*).

In 2005, it is estimated that the largest share of Riverside's households, 19.0%, was in the \$50,000-\$74,999 income group. They were followed by the 17.8% earning \$100,000 or more (*Exhibit 6*). On the other hand, 24.0% of the city's families were estimated to be in the three brackets making \$24,999 or less, including many full time students at the city's four colleges. These figures are similar to those of Riverside County as a whole. The largest percent of the county population, 19.1%, earned \$50,000-\$74,999 in 2005. The county's second largest group was 18.6% earning \$100,000 & up.

In 2005, the city's total personal income reached \$5.82 billion, well ahead of second placed Rancho Cucamonga (\$4.33 billion) (*Exhibit 7*). Despite its Riverside's modest average household income (\$66,986), its retailers appear unusually strong. However, further analysis shows that in

Demographic Characteristics

2004, there were 226,174 people in the city of Riverside's census tracts in households with an average household income of \$82,905 or above. There were 195,069 people living in households with an average household income of \$91,341 and above (*Exhibit 8*). This strong picture emerges when lower income groups, like the many full time students living in the city and attending its four colleges, are not included in the calculation.

Ethnicity. Riverside is becoming an increasingly diverse city. Based upon the U.S. Census Bureau's 2004 American Community Survey, the largest share of Riverside's population was the 45.4% who self-identified as Hispanic (*Exhibits 9-10*). This compared to 38.1% in 2000 and was less than the share in Riverside County (40.0%). The second largest group was Whites. They were estimated at 36.6%. This was down from the 45.6% in 2000. In Riverside County, the share was 47.2%. Asians and Pacific Islanders were 8.7% of Riverside's population in 2004, up from 5.9% in 2000. This was a much larger share than was found in Riverside County (4.7%). The African-American population was estimated to represent 7.7% of Riverside's residents, up from 7.1% in 2000 and larger than the 5.8% in Riverside County. Riverside was home to 638 Native Americans in 2004 or 0.2% of its population, compared to 0.7% in Riverside County.

Education. The 2004 American Community Survey showed that 19.9% of Riverside's adults had a bachelor's degree or higher (*Exhibit 12*). This more than Riverside (19.0%) and San Bernardino (17.1%) counties but well below Los Angeles County (27.9%). San Diego (33.0%) and Orange counties (33.3%) were much higher. Much of Riverside's population is only modestly educated. Thus, 52.3% of its adults 25 & over stopped their schooling at a high school diploma or below (*Exhibit 11*). That was above average for Southern California's counties: San Bernardino (49.1%), Riverside (49.4%) and Los Angeles (47.2%), Orange (36.0%) and San Diego (35.9%).

Age. Riverside's age profile is unusually young. Its 18.4% in the 25-34 year old age group was far above the 14.3% found in the Inland Empire generally. This was also true of the 11.9% aged 20-24, which was well above the region's 7.9%. The city's second and third largest groups were young people 10-19 years old at 14.8% and children 0-9 year olds at 14.3%. In 2004, some 16.6% of Riverside's population was over 55 versus 17.4% for the Inland Empire (*Exhibits 13-14*). This profile appears to be related to the large number of Hispanic families now in the city.

Households. Riverside's household composition closely parallels that of Southern California with two exceptions. The largest share of households, 25.3%, were married couples with minor children at home. That was lower than for Riverside (30.3%), San Bernardino (31.2%) and Orange (28.9%) counties, though above the levels in Los Angeles (24.5%) and San Diego (22.2%) counties (*Exhibits 15-16*). Some 6.4% of Riverside's households were female-led with minor children and 5.0% were males alone with minor children.

Summary. Demographically, Riverside emerges as a rapidly growing city of increasing ethnic diversity, whose population is relatively young. The city is split between very well-educated adults and those with modest educations. Within the overall population of the city's zone of influence, there is a large population (226,174) with a very substantial \$82,905 average household incomes. This calculation is made looking at those groups earning \$25,000 and above. It explains why the city's new retailers have historically outperformed their pro formas. This view removes groups like the city's many full-time students living in the city and attending its four colleges.

Demographic Characteristics

**Exhibit 1.-Population, 1990-2005
Riverside & Riverside County Areas**

Year	Riverside		March JPA Area		Riverside County	
1990	226,546		612,980		1,170,413	
1991	227,500	0.4%	642,225	4.8%	1,228,301	4.9%
1992	233,500	2.6%	662,778	3.2%	1,275,515	3.8%
1993	236,400	1.2%	676,401	2.1%	1,312,315	2.9%
1994	238,000	0.7%	681,920	0.8%	1,340,240	2.1%
1995	239,000	0.4%	686,853	0.7%	1,365,465	1.9%
1996	240,500	0.6%	693,253	0.9%	1,391,775	1.9%
1997	243,200	1.1%	703,471	1.5%	1,420,415	2.1%
1998	246,300	1.3%	712,631	1.3%	1,451,475	2.2%
1999	250,200	1.6%	724,493	1.7%	1,490,445	2.7%
2000	255,166	2.0%	744,076	2.7%	1,545,387	3.7%
2001	262,311	2.8%	759,537	2.1%	1,590,473	2.9%
2002	271,004	3.3%	782,662	3.0%	1,654,220	4.0%
2003	277,527	2.4%	802,840	2.6%	1,726,754	4.4%
2005	281,810	1.5%	825,529	2.8%	1,807,858	4.7%
2005	285,537	1.3%	839,988	1.8%	1,877,000	3.8%
2000-2005	30,371	11.9%	95,912	12.9%	331,613	21.5%

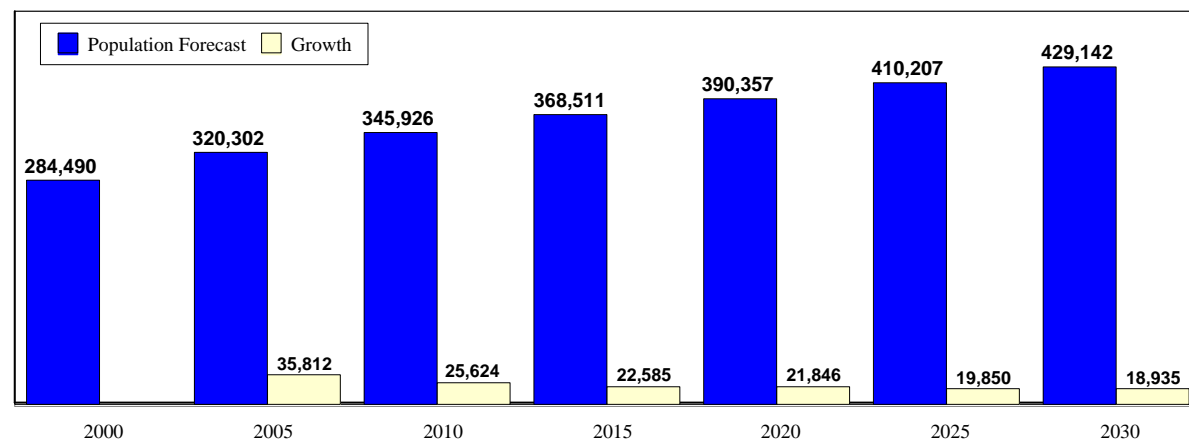
March JPA = census tracts in and around Riverside, Moreno Valley, Perris, Corona, Norco

Source: CA Department of Finance, E-5 Reports

Population Growth ...

- From 2000-2005, the population of Riverside increased from 255,166 to 285,537. That was a gain of 30,371 people or 11.9% (*Exhibit 1*). During this period, the city's market area (*census tracts in and around Riverside, Moreno Valley, Perris, Corona & Norco*) grew by 12.9% and Riverside County as a whole rose 21.5%. Since 2000, the city's 30,371 gain in population represented 51.5% of the 58,991 increase since 1990, indicating that the pace of growth has recently accelerated.
- Looking ahead, the population within the zip codes of Riverside's zone of influence is expected to reach 320,302 in 2005, adding 35,812 from 2000 (30.9%). It is then expected to grow by 25,824 more people to 345,926 in 2010. By 2030, the area's population is forecasted at 429,142, up 108,840 from 2005 (*Exhibit 2*).

**Exhibit 2.-Population Forecast
Riverside Zone of Influence, 2000-2030**



Source: Southern California Association of Governments, 2004

Demographic Characteristics

**Exhibit 3.-Population Growth
20 Fastest Growing Inland Empire Cities, 2000-2005**

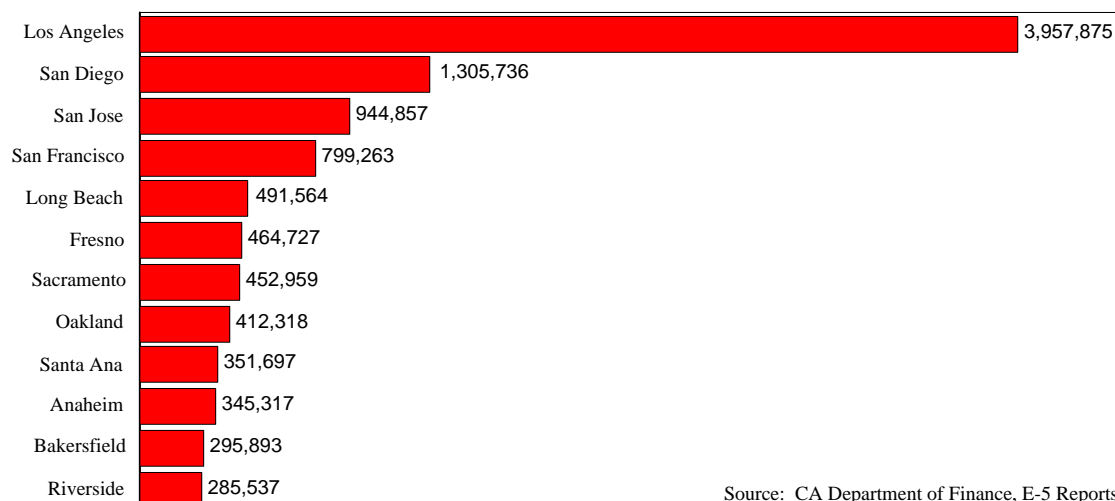
City	2000	2005	Change	% Change
1 Murrieta	44,282	85,102	40,820	92.2%
2 R. Cucamonga	127,743	161,830	34,087	26.7%
3 Fontana	128,929	160,015	31,086	24.1%
4 Riverside	255,166	285,537	30,371	11.9%
5 Temecula	57,716	81,397	23,681	41.0%
6 Moreno Valley	142,381	165,328	22,947	16.1%
7 Victorville	64,029	86,473	22,444	35.1%
8 Corona	124,966	144,070	19,104	15.3%
9 Indio	49,116	66,118	17,002	34.6%
10 San Bdn	185,401	199,803	14,402	7.8%
11 Hesperia	62,582	76,114	13,532	21.6%
12 29 Palms	14,764	27,337	12,573	85.2%
13 La Quinta	23,694	36,145	12,451	52.5%
14 Ontario	158,007	170,373	12,366	7.8%
15 Chino Hills	66,787	77,819	11,032	16.5%
16 Apple Valley	54,239	63,853	9,614	17.7%
17 Lake Elsinore	28,928	38,045	9,117	31.5%
18 Chino	67,168	76,070	8,902	13.3%
19 Perris	36,189	44,594	8,405	23.2%
20 Yucaipa	41,207	49,388	8,181	19.9%

Source: CA Department of Finance, E-5 Reports, 1990-2005

Population . . .

- In absolute terms, Riverside's 30,371 gain in population from 2000-2005 made it the 4th fastest growing city in the Inland Empire (*Exhibit 3*). The cities that added the most people were Murrieta (40,820), Rancho Cucamonga (34,087) and Fontana (31,086). Temecula grew just slower than (23,681).
- Riverside's merchants sell to a market area with 839,988 people, including the census tracts that make up Riverside, Moreno Valley, Perris, Corona and Norco. It grew by 227,007 people from 1990-2005 and 95,912 from 2000-2005 (*Exhibit 1*).
- In 2005, Riverside's 285,537 people made it the 12th largest city in California. Bakersfield (295,893) was the next largest. In Southern California, Anaheim (345,317) was the next largest (*Exhibit 4*).

**Exhibit 4.-12 Largest Cities
California, January 1, 2005**



Source: CA Department of Finance, E-5 Reports

Demographic Characteristics

**Exhibit 5.-Household Income Distribution, 2004
Riverside & Riverside County**

Income Range		Riverside		Riverside County	
		Families	Percent	Families	Percent
\$0	\$9,999	7,736	8.7%	39,287	7.3%
\$10,000	\$14,999	4,334	4.9%	25,990	4.8%
\$15,000	\$24,999	9,341	10.5%	60,634	11.2%
\$25,000	\$34,999	9,799	11.0%	58,931	10.9%
\$35,000	\$49,999	13,596	15.2%	79,379	14.7%
\$50,000	\$74,999	16,968	19.0%	103,155	19.1%
\$75,000	\$99,999	11,522	12.9%	71,722	13.3%
\$100,000	\$149,999	9,535	10.7%	59,813	11.1%
\$150,000	\$199,999	3,780	4.2%	23,811	4.4%
\$200,000	& Up	2,554	2.9%	16,509	3.1%
Total		89,165	100.0%	539,231	100.0%
Median household income		\$49,733		\$51,075	
Total Income (000)		\$5,822,666		\$36,120,762	
Average Household Income		\$65,302		\$66,986	
Per Capita Income		\$21,018		\$21,967	

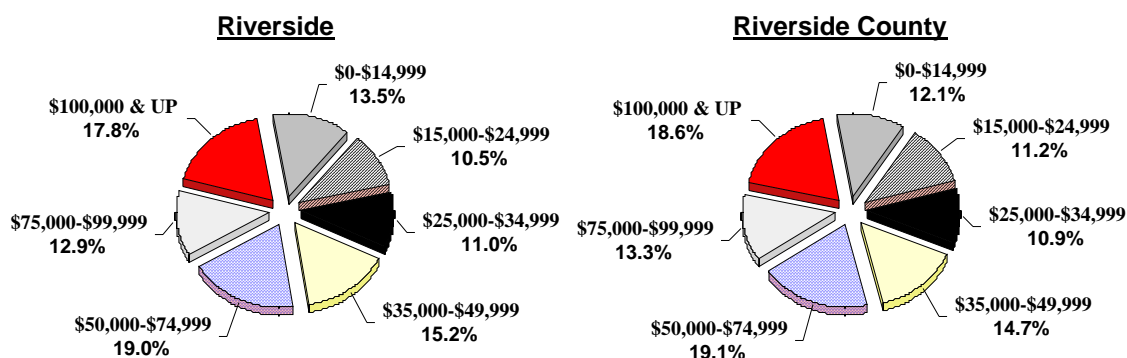
1 Estimates allow for changes in CPI, population.

Source: U.S. Census, 2000, Economics & Politics, Inc. estimates 2003.

Income, 2004. . .

- Riverside's average household income reached \$65,302 in 2005. This was just below Riverside County's average of \$66,986. The city's median income was \$49,733. Its per capita income was \$21,018 (*Exhibit 5*).
- It is estimated that the largest share of Riverside's households, 19.0%, was in the \$50,000-\$74,999 income group, followed by 17.8% from \$100,000 & up (*Exhibit 6*). Some 24.0% of the city's families were in the three brackets making \$24,999 or less including many full time students at the city's four colleges.
- For Riverside County as a whole, the largest percent was 19.1% who were in the \$50,000-\$74,999 category in 2004. The county's second largest group was 18.6% earning \$100,000 & up.

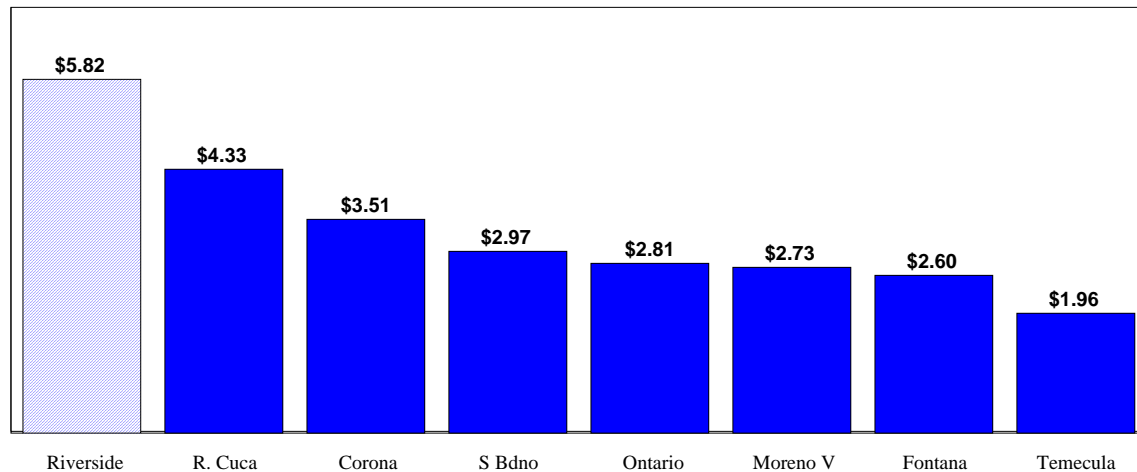
**Exhibit 6.-Income Distribution
Riverside & Riverside County, 2004**



Source: U.S. Census Bureau, Economics & Politics, Inc.

Demographic Characteristics

**Exhibit 7.-Total City Income, 2004
Major Inland Empire Cities (billions)**

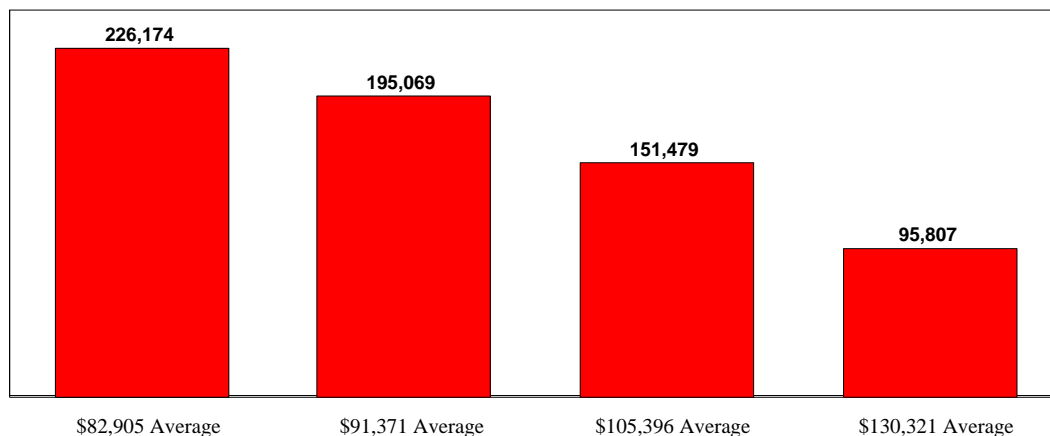


Source: U.S. Census Bureau , Economics & Politics, Inc.

Income, 2004. . .

- In 2004, Riverside's total personal income was \$5.82 billion (*Exhibit 7*). The city ranked first among the major cities of the Inland Empire with Rancho Cucamonga ranked second (\$4.33 billion).
- Riverside's retailers performed quite strongly despite what appears to be modest average household income of \$66,986 for the entire incorporated population of 277,030. When the unincorporated areas in the city's zone of influence are included and the low income groups including the many students at its four colleges are omitted, the results shows a very strong income profile for a very large mass of population (*Exhibit 5*).
- In 2004, there were 226,174 people in the city of Riverside's census tracts in households with an average household income of \$82,905. There were 195,069 people living in households with an average household income of \$91,371 (*Exhibit 8*).

**Exhibit 8.-Population Above Average Household Income Thresholds
Riverside Census Tracts, 2004**



Note: Riverside Census Tracts
Source: 2000 Census Adjusted by Economics & Politics, Inc. to 2004

Demographic Characteristics

**Exhibit 9.-Ethnic Distribution, 2004
Riverside & Riverside County**

Ethnicity	2004	Percent	2000	Percent	2000-2004	Riverside Co.
Hispanic ¹	132,530	45.4%	97,315	38.1%	35,215	40.0%
White	106,877	36.6%	116,254	45.6%	(9,377)	47.2%
Asian & Pacific	25,538	8.7%	15,081	5.9%	10,457	4.7%
African American	22,525	7.7%	18,051	7.1%	4,474	5.8%
Native Amer. & Other	638	0.2%	1,415	0.6%	(777)	0.7%
Other	3,948	1.4%	7,050	2.8%	(3,102)	1.6%
Total Population	292,056	100.0%	255,166	100.0%	36,890	100.0%

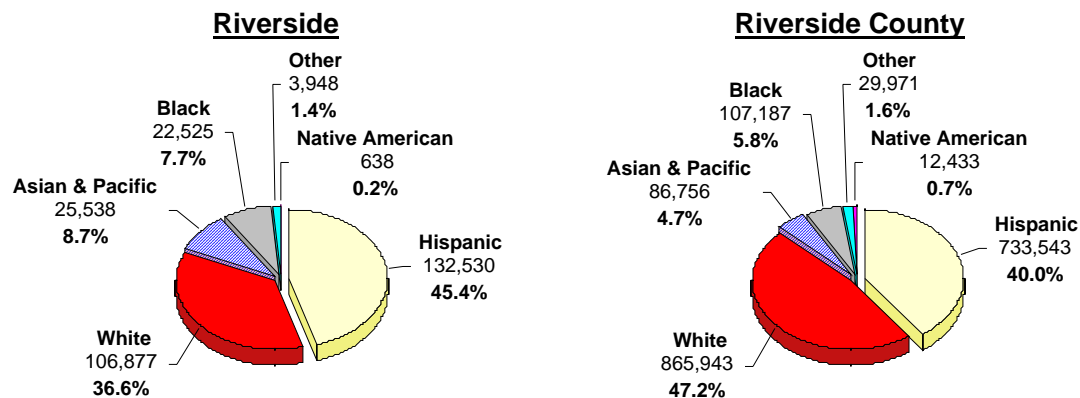
Note (1): Hispanics are deducted from all other groups

Source: Census 2000, American Community Survey 2004

Ethnicity, 2004 . . .

- In 2004, the largest share of Riverside's population was the 45.4% who self-identified themselves as Hispanic (*Exhibits 9-10*). This compared to 38.1% in 2000 and was less than the percent for Riverside County (40.0%). These data are from the 2004 American Community Survey by the U.S. Census Bureau.
- Riverside's second largest group in 2004 was the 36.6% who were White. This was down from 45.6% in 2000. In Riverside County, their share was 47.2%.
- Asians and Pacific Islanders were 8.7% of Riverside's population in 2004, up from 5.9% in 2000. This was a much larger share than was found in Riverside County (4.7%).
- In 2004, the African-American population was estimated to represent 7.7% of Riverside's residents, up a little from 7.1% in 2000. This was a larger share than the 5.8% in Riverside County.
- Riverside was home to 638 Native Americans (0.2%) in 2004. This compared to 0.7% in Riverside County.
- Note: In the combined Riverside and Alvorad unified school districts, the shares were: Hispanic (54.3%), White (31.3%), Asian (5.0%), African American (5.0%), others including Native American (4.4%).

**Exhibit 10.-Ethnic Distribution
Riverside & Riverside County, 2004**



Source: 2004 American Community Survey, Census Bureau

Demographic Characteristics

**Exhibit 11.-Education Attainment, 2004
Riverside & Southern California Counties, Persons 25 & Older**

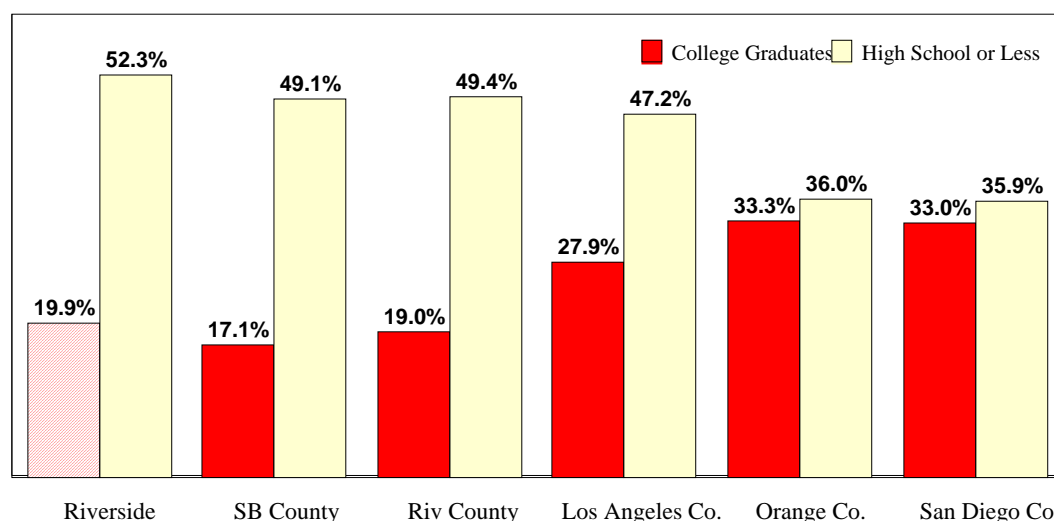
Highest Education Level	Riverside	San Bdn. County	Riverside County	Los Angeles County	Orange County	San Diego County
Less than 9 Years	12.2%	10.1%	10.1%	14.4%	8.5%	6.9%
9 to 12 Years Non-graduate	11.7%	13.2%	10.9%	11.8%	8.8%	8.4%
High School Diploma/GED	28.4%	25.8%	28.3%	21.0%	18.8%	20.6%
Some College	22.5%	24.6%	24.8%	18.6%	22.4%	24.1%
Associated Arts	5.3%	9.2%	6.9%	6.3%	8.3%	7.1%
Bachelors Degree	12.5%	10.6%	12.6%	18.5%	22.2%	19.9%
Graduate Degree	7.4%	6.4%	6.3%	9.4%	11.1%	13.1%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: American Community Survey, U.S. Census Bureau, 2004

Educational Levels, 2004 . . .

- The 2004 American Community Survey showed that 19.9% of Riverside's adults had a Bachelor's Degree or higher (*Exhibit 12*). This was more than Riverside (19.0%) and San Bernardino (17.1%) counties but below the levels in Los Angeles County (27.9%), San Diego (33.0%) and Orange (33.3%) counties were much higher.
- Much of Riverside's population is only modestly educated. Thus, 52.3% of its adults 25 & over stopped their schooling at a high school diploma or below (*Exhibit 11*). That was above average for Southern California's counties: San Bernardino (49.1%), Riverside (49.4%), Los Angeles (47.2%), Orange (36.0%) and San Diego (35.9%).

**Exhibit 12.-College Graduate or High School/Less
Riverside & Southern California, 2004**



Source: 2004 American Community Survey, Census Bureau

Exhibit 13.-Age Distribution, Riverside & Adjacent Counties, 2004

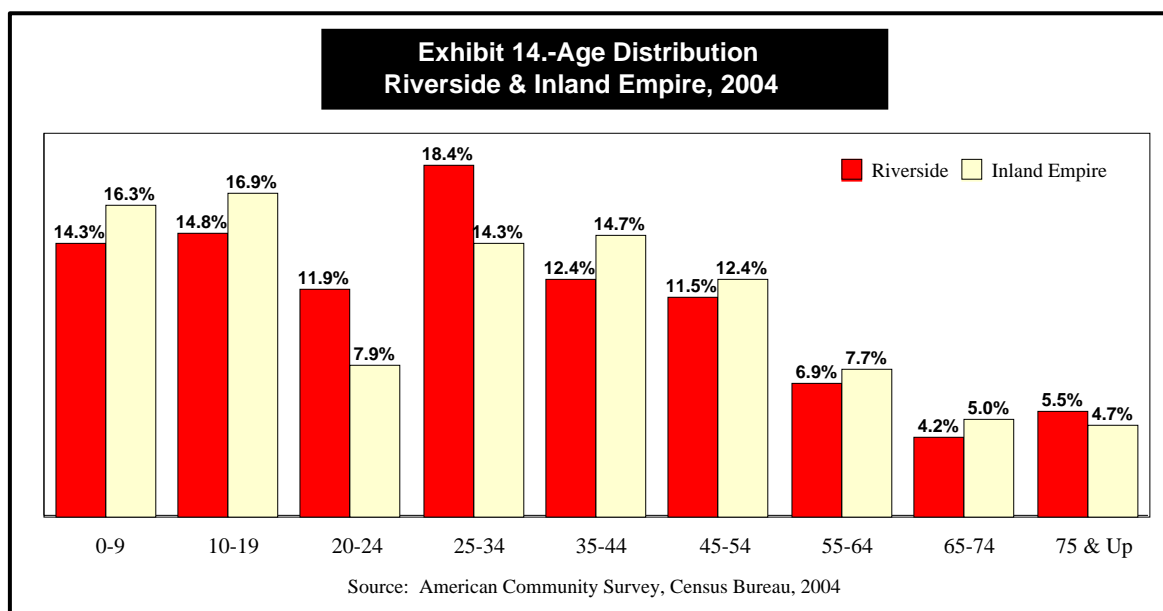
Demographic Characteristics

Age Group	Riverside	San Bdn Co.	Riv. Co.	Los Angeles Co.	Orange Co.	San Diego Co.
0-9	14.3%	17.0%	15.7%	15.3%	15.1%	14.7%
10-19	14.8%	17.5%	16.2%	15.2%	14.1%	14.4%
20-24	11.9%	7.9%	7.9%	6.9%	6.8%	6.5%
25-34	18.4%	14.2%	14.4%	15.3%	14.4%	15.4%
35-44	12.4%	14.8%	14.6%	15.8%	16.5%	15.5%
45-54	11.5%	12.8%	12.1%	13.2%	13.7%	13.8%
55-64	6.9%	7.7%	7.7%	8.6%	9.3%	8.7%
65-74	4.2%	4.5%	5.6%	5.2%	5.5%	5.5%
75 & Up	5.5%	3.6%	5.9%	4.5%	4.6%	5.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: American Community Survey, Census Bureau, 2004

Age Distribution, 2004 . . .

- In 2004, the largest share of Riverside's population was the 18.4% in the 25-34 year old age group. This was a far greater share than the 14.3% found in the Inland Empire generally. This was also true of the 11.9% of adults 20-24. This group was far above the 7.9% in the region. The size of these two groups meant that other age levels tended to represent smaller shares than in the Inland Empire as a whole.
- Riverside's second largest group were young people 10-19 years old at 14.8%. They were followed by children 0-9 year olds at 14.3% (*Exhibit 13*).
- Among adults, the second and third largest groups were those 35-44 years old (12.4%) and 45-54 years old (11.5%). In 2004, 16.6% of Riverside's population was over 55 versus 17.4% for the inland area (*Exhibit 14*). Within this older group, the city's population 75 & up (5.5%) was somewhat larger than the Inland Empire's average of 4.7%.
- The rapid growth of relatively young Hispanic families with large numbers of children is the major force behind the city's large number of younger adults.
- Note: These data do not include people living in dormitories and other group quarters.



Demographic Characteristics

**Exhibit 15.-Household Characteristics
Riverside & Southern California, 2004**

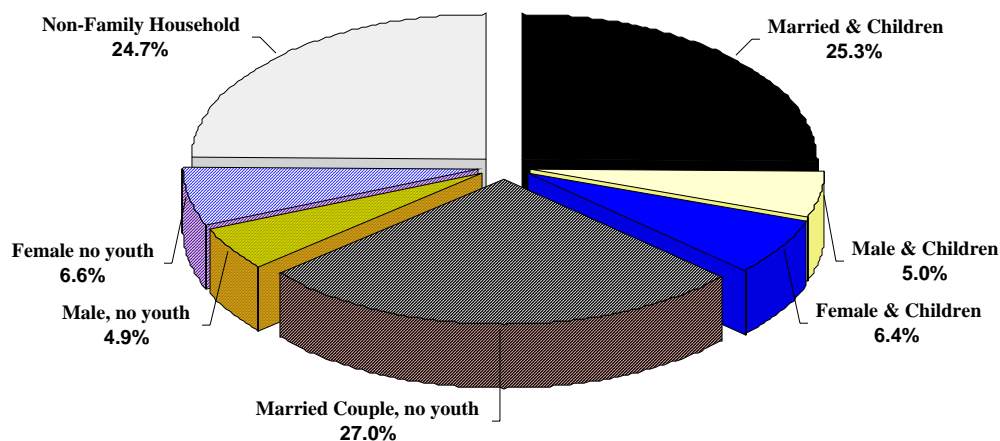
Household Type	Riverside	Riverside County	San Bdn County	Los Angeles County	Orange County	San Diego County
Married Couple, children under 18	25.3%	30.3%	31.2%	24.5%	28.9%	22.2%
Married Couple, alone	27.0%	23.4%	27.5%	22.0%	26.6%	25.8%
Male, children under 18	5.0%	3.7%	3.8%	2.5%	2.3%	2.0%
Male, no children home	4.9%	3.4%	3.5%	3.9%	2.5%	2.6%
Female, children under 18	6.4%	9.1%	5.3%	8.3%	5.2%	7.6%
Female, no children home	6.6%	4.7%	4.2%	7.0%	5.5%	5.2%
Non-family Group	24.7%	25.5%	24.4%	31.7%	28.9%	34.6%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total Households	96,918	569,388	598,072	3,194,434	969,558	1,028,747

Source: American Community Survey, Census Bureau, 2004

Types Of Households, 2004 . . .

- Riverside's household composition offer a relatively close parallel to that in Southern California as a whole. The exception is a somewhat lower tendency to have married couples with children and a slightly higher tendency to have households headed by females with children.
- In 2004, the largest share of Riverside's households, 25.3%, were married couples with minor children at home. That was lower than Riverside County (30.3%), San Bernardino County (31.2%), and Orange (28.9%) but above the levels in Los Angeles (24.5%) and San Diego (22.2%) counties (*Exhibits 15-16*). Some 6.4% of Riverside's households were female-led with minor children and 5.0% were males alone with minor children.
- In 2004, 52.3% of Riverside households were married couples with or without minors. That was less than San Bernardino (53.7%), Riverside (58.7 %) or Orange (55.5%) counties. It was higher than Los Angeles (46.6%) and San Diego (48.1%) counties.

**Exhibit 16.-Who Was Living In Households
Riverside, 2004**

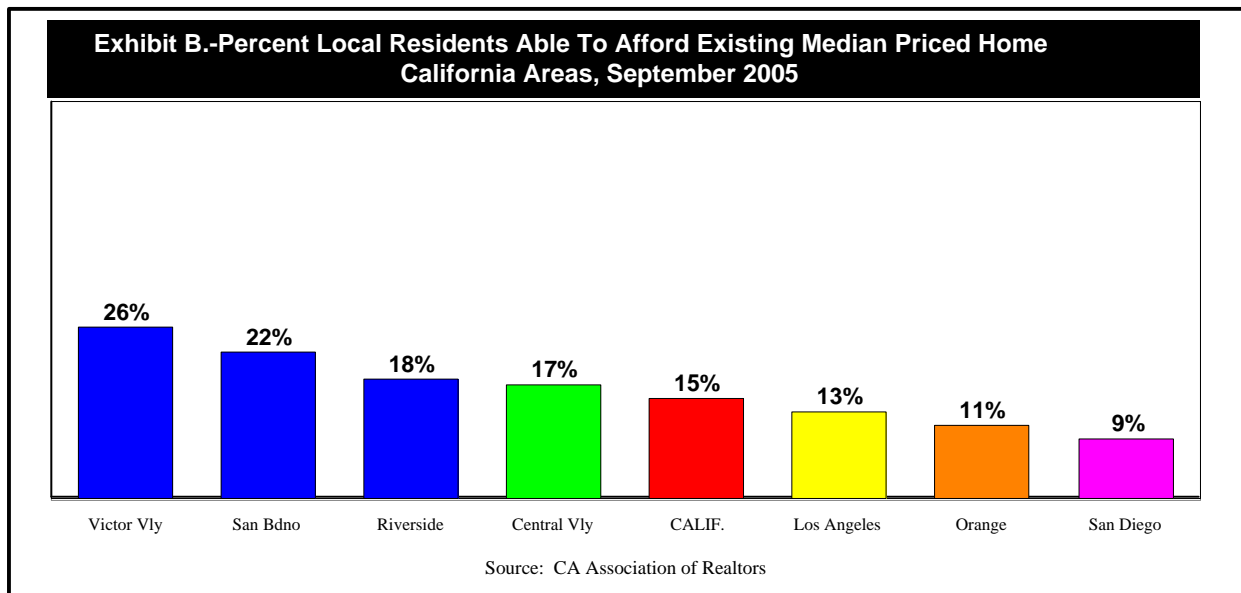


Source: 2004 American Community Survey, Census Bureau

RIVERSIDE SECTION 3 RESIDENTIAL

Riverside is a centrally located major city with an extraordinary architectural heritage, a campus of the University of California and the seat of Riverside County's government. The city has a wide range of housing types due to the many decades its housing stock has been developed. Within the city's sphere of influence, the Orange Crest city area and the Woodcrest unincorporated area have much of the available undeveloped residential land where new homes are being built. Both of these markets are along the city's southern border close to Orange County where lack of land and high demand has driven home prices to extraordinarily high levels forcing even upper middle class families to migrate away.

As a result, the City of Riverside's existing single family home sales are at record levels and the highest in the Inland Empire. Its new home market is active but has recently slowed due to lack of permitted lots. Meanwhile, homeowners are seeing their property values rising rapidly. In the city's large multifamily market, the vacancy rate is just over 4% and rents are rising. This strong price environment should continue as lack of space and high prices in Southern California's coastal counties are forcing buyers of all kinds to look inland. In 2005, California home builders are forecasted to add about 210,000 new units of all kinds despite a demand for about 250,000.



One concern for Riverside's policy makers is the fact that only 18% of Riverside County's residents, at their median income level, can afford the middle price existing home in 2005. At that level, most of the local housing market is being driven by buyers with high median income levels migrating from Orange and San Diego counties (*Exhibit B*).

Home Volumes. Riverside's 2005 existing home sales are headed for a record at 6,016 units surpassing the 2004 high of 5,931 (*Exhibits 17-18*). On a seasonally adjusted basis, the city's existing homes sales have paused through 2004 and most of 2005 first due to lack of sellers, now due to very high prices. Compared to other inland cities, Riverside 2005 existing homes volume

Residential Information

of 6,016 ranked first. San Bernardino (4,882) had the next highest volume and Ontario (1,683) was the lowest (*Exhibit 19*). Compared to 2004, Riverside's sales increase of 85 units ranked third among the major inland markets behind Fontana (467) and Corona (308) (*Exhibit 20*).

Riverside's new home market set a record at 1,750 sales in 2002 but declined to 822 units in 2004 due to a lack of permitted lots (*Exhibit 21*). For 2005, sales are headed for 1,084 units. On a seasonally adjusted basis, the city's new home volume reflects the steep decline in 2004 and partial recovery in 2005 (*Exhibit 22*). Riverside's 2005 new home sales (1,084) will rank sixth among the Inland Empire's major markets just below Fontana (1,448). The range is from Murrieta (3,630) to Ontario (254). Riverside's 2005 sales were 264 units above 2004 (*Exhibits 23-24*).

Home Prices. With Southern California's coastal counties running out of places to put new homes and the gap between the supply and demand for California homes growing, Riverside's existing homes have been appreciating rapidly. In 2005, the city's median existing home price was a record \$393,641, up 23.5% from that period of 2004 (*Exhibits 25-26*). Riverside's median price ranked seventh highest among major inland markets which ranged from Rancho Cucamonga (\$511,548) to San Bernardino (\$291,986) (*Exhibit 27*). The city's price appreciation of 23.5% was the fourth highest among the inland area's major markets (*Exhibit 28*).

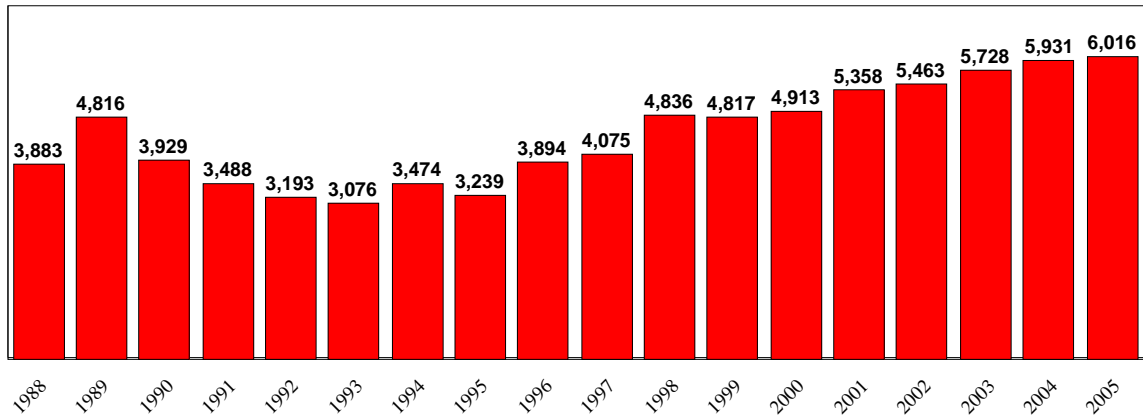
Riverside's new homes traded at a median price of \$565,329 in third quarter 2005, up 22.3% from that period of 2004 (*Exhibits 29-30*). The price was off from the record \$586,871 in 1st quarter 2005 as slightly smaller homes were sold. The city's new home price ranked second among large Inland Empire cities behind Corona (\$630,152) (*Exhibit 31*). The 22.3% gain in Riverside's 2005 new home prices was the fourth highest among these cities which ranged from San Bernardino (40.9%) to Murrieta (3.9%) (*Exhibit 31*).

In 3rd quarter 2005, much of Riverside's housing home demand is coming from Orange County. Its \$565,000 new home median price was \$162,000 below Orange County (\$727,000) but \$113,000 higher than Los Angeles County (\$452,000) and \$100,500 above San Diego County (\$464,500) (*Exhibit 33*). However, for a 3,000 square foot home at the city's average price per foot, the cost would be \$816,000. That was well below coastal levels: San Diego (\$1,047,000), Los Angeles (\$1,149,000), Orange (\$1,269,000) (*Exhibit 34*). Meanwhile, Riverside's median existing home price of \$394,000 was well under coastal prices: \$91,000 below Los Angeles (\$485,000), \$156,000 below San Diego (\$550,000), \$256,000 below Orange (\$650,000).

Multi-Tenant Market. In 2nd quarter 2005, Riverside's average apartment rental rate of \$1,005 was up 6.1% from 2nd quarter 2004. This rental rate was the Inland Empire's sixth highest (*Exhibit 35*). Riverside low 4.0% vacancy rate matched the regional average. Its vacancy rates are low and rental rates are rising due to the rising cost of detached homes.

Composition, Vacancy, Rentals & Permits. From 1990-2005, Riverside's housing stock grew 13,211 units (16.5%). Changes included 9,138 more single family units (69.2% share), 4,557 more multi-tenant units (34.5% share) but 484 fewer mobile homes (*Exhibit 36*). In 2005, 4.6% of Riverside's dwellings were vacant, a mid-level for large inland markets (*Exhibit 37*). The city's population is moderately dense, with 3.10 people per occupied dwelling. That was the lowest among major Inland Empire cities (*Exhibit 38*). In 2004, 11.5% of Riverside's housing stock was sold, a modest level among major inland markets (*Exhibit 39*). Finally, the slowdown in 2004 new home sales in Riverside was predicted by the drop in 2003 building permits to 689. Permits were a record 1,237 in 2001. In 2004, they were back to 820 (*Exhibit 40*).

**Exhibit 17.-Existing Home Sales
Riverside, 1988 - 2005**



Source: Dataquick

Existing Home Sales . . .

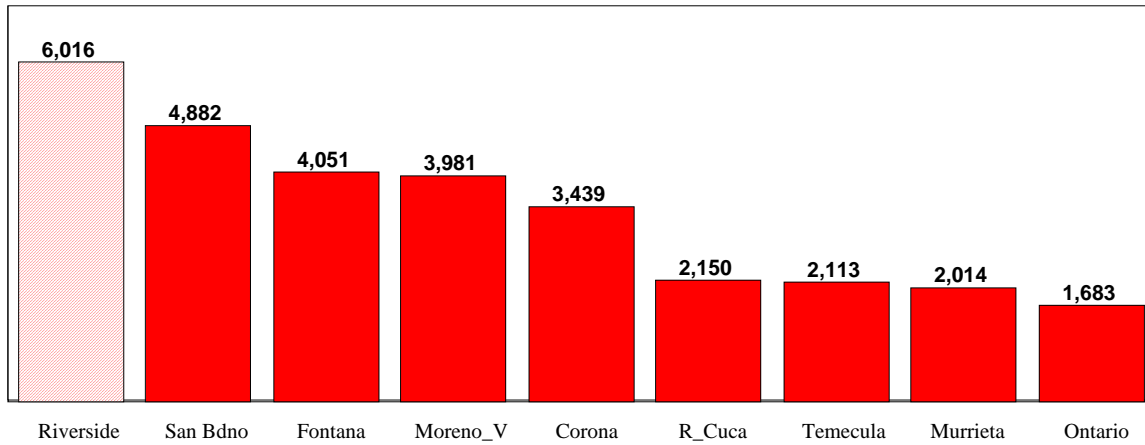
- Riverside's existing home sales volume surpassed the 5,000 unit level in 2001 and has since accelerated to an all-time high of 6,016 units in 2005 (*Exhibit 17*). Earlier, the city had seen volume reach a high of 4,816 units in 1989. However, Southern California's post-Cold War recession sent sales to as low as 3,076 units before the market regained the momentum that has led to the recent record levels.
- With the exception of a brief spike in 2001 (*possibly a County Recorder's reporting issue*), the force of Riverside's seasonally adjusted quarterly existing home sales has been generally upward into ever higher territory. Sales plateaued for 2004 and much of 2005, albeit at very high levels. In 2004, this was apparently caused by a lack of sellers. In 2005, high prices contributed to the pause. However, in 3rd quarter 2005, volume jumped to a seasonally adjusted 1,580 units as rising interest rates coaxed more people to put their homes on the market and buyers appeared to decide that it was time into enter the market before it was too late (*Exhibit 18*).

**Exhibit 18.-Existing Home Sales
Riverside, Seasonally Adjusted, By Quarter, 1988-2005**



Source: Dataquick, Economics & Politics, Inc. Seasonality

**Exhibit 19.-Existing Home Sales
Major Inland Empire Markets, 2005**

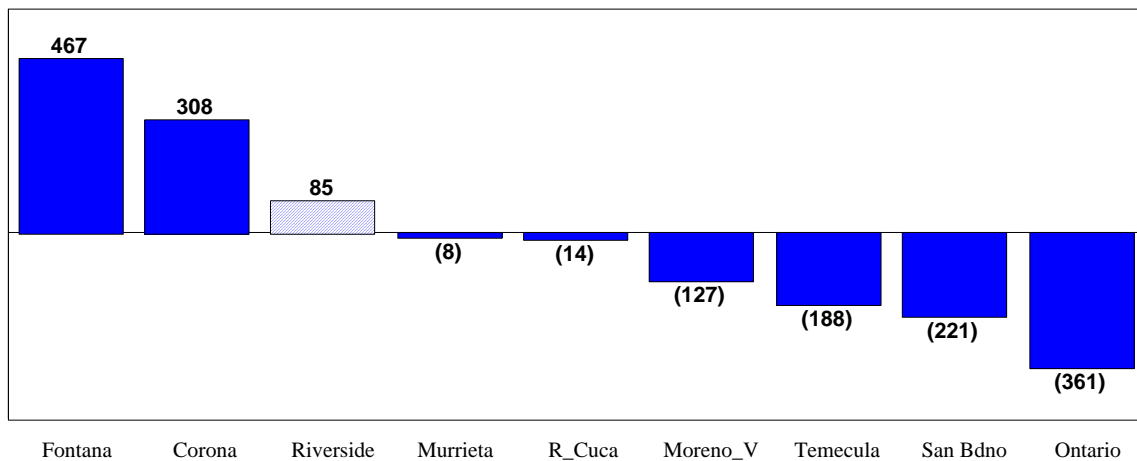


Source: Dataquick

Existing Home Sales . . .

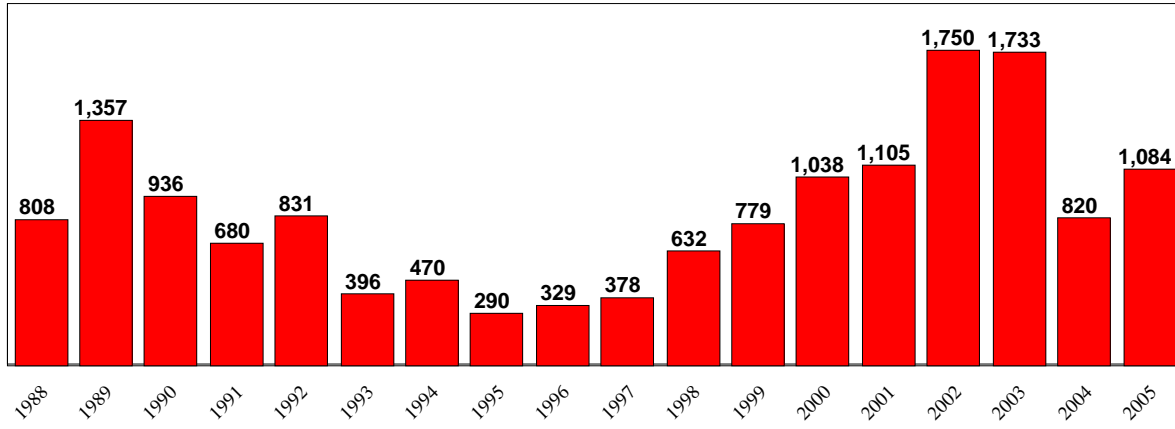
- Riverside's estimated existing home sales of 6,016 for 2005 was the highest among the 48 Inland Empire cities (*Exhibit 19*). The city's sheer size, its wide range of prices and its central location on the SR-91 from Orange County and the SR-60 from Los Angeles County are the reasons its existing home market is so strong.
- From 2004-2005, Riverside's existing home sales increased by 85 units (*Exhibit 20*). Among the Inland Empire's major markets, Fontana (467) saw the largest increase in its existing home sales, followed by Corona (308). The city's sales growth, in part, was fueled by 30 year mortgage rates that remained relatively low as well as home prices that continued to lure buyers from Southern California's higher priced coastal counties. Several major cities saw sales slow due to a combination of too few sellers and rising prices.

**Exhibit 20.-Existing Home Sales Growth
Major Inland Empire Cities, 2004-2005**



Source: Dataquick

**Exhibit 21.-New Home Sales
Riverside, 1988 - 2005**

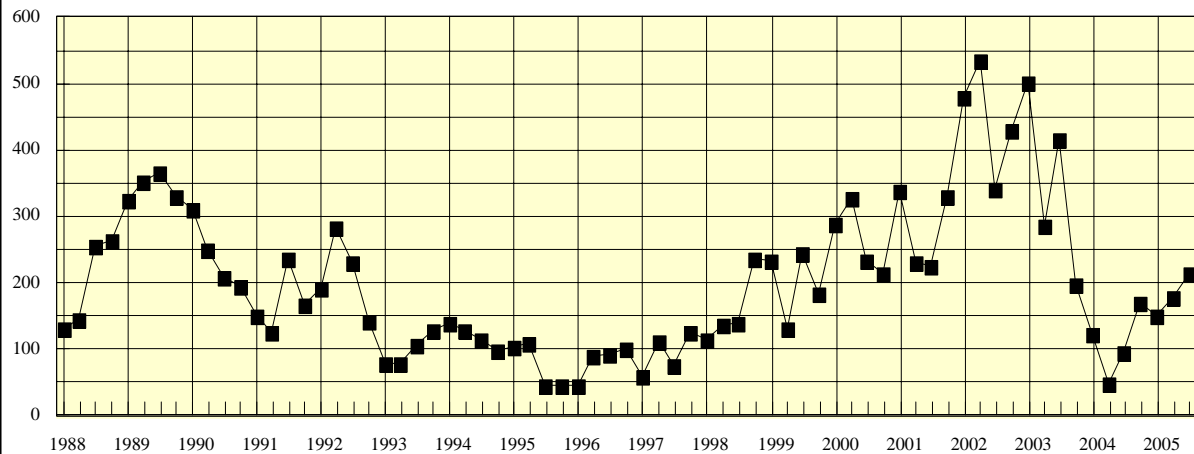


Source: Dataquick

New Home Sales . . .

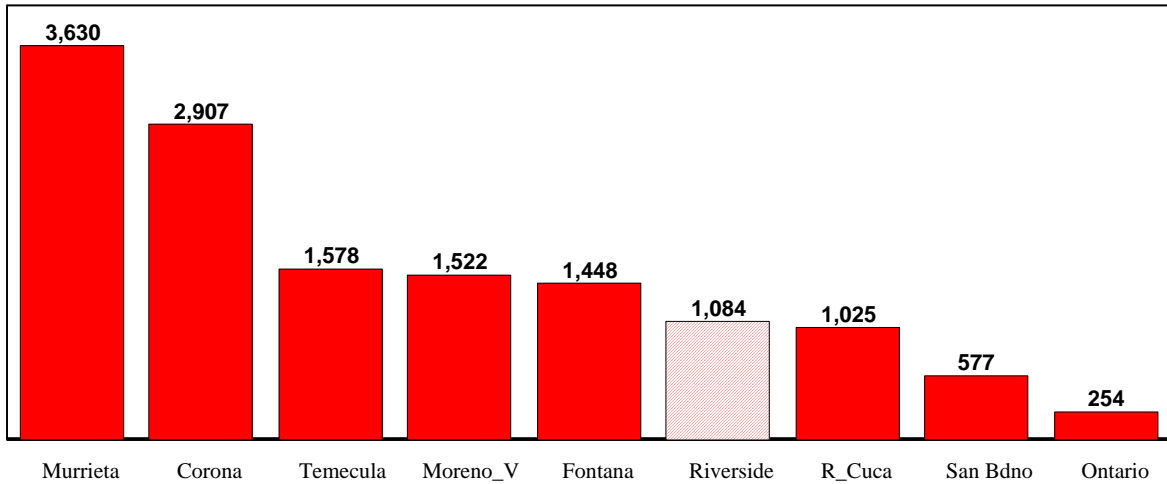
- Riverside's new home sales fell from 1,733 units in 2003 to 820 in 2004 (*Exhibit 21*). This drop came after four years in which sales were over 1,000 units. This likely represented a pause in the market as developers were running short of available permitted sites. In 2005, sales recovered to 1,084 units but remain well below the very high levels of 2002-2003.
- On a quarterly basis, seasonally adjusted new home sales fell to just 45 units in first quarter 1996 due to the lack of demand brought on by the steep recession that accompanied defense cutbacks at the end of the Cold War. From there, the market gradually increased until 1999 and then soared to a record 534 new units in second quarter 2002. The market's sales then slowed dramatically in 2004 before rebounding to 213 units in third quarter 2005 (*Exhibit 22*).

**Exhibit 22.-New Home Sales
Riverside, Seasonally Adjusted, By Quarter, 1988-2005**



Source: Dataquick, Economics & Politics, Inc. Seasonality

**Exhibit 23.-New Home Sales
Major Inland Empire Markets, 2005**

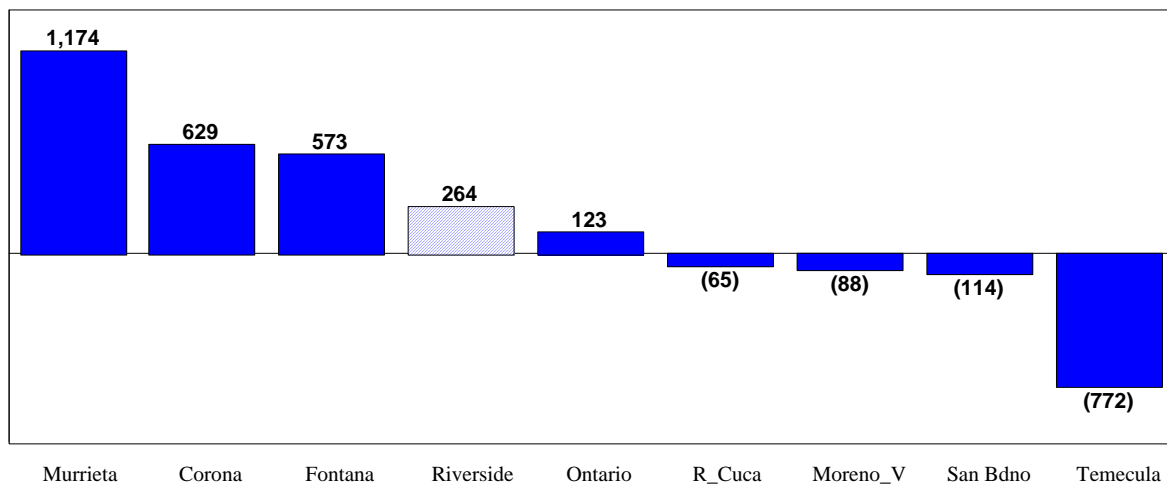


Source: Dataquick

New Home Sales . . .

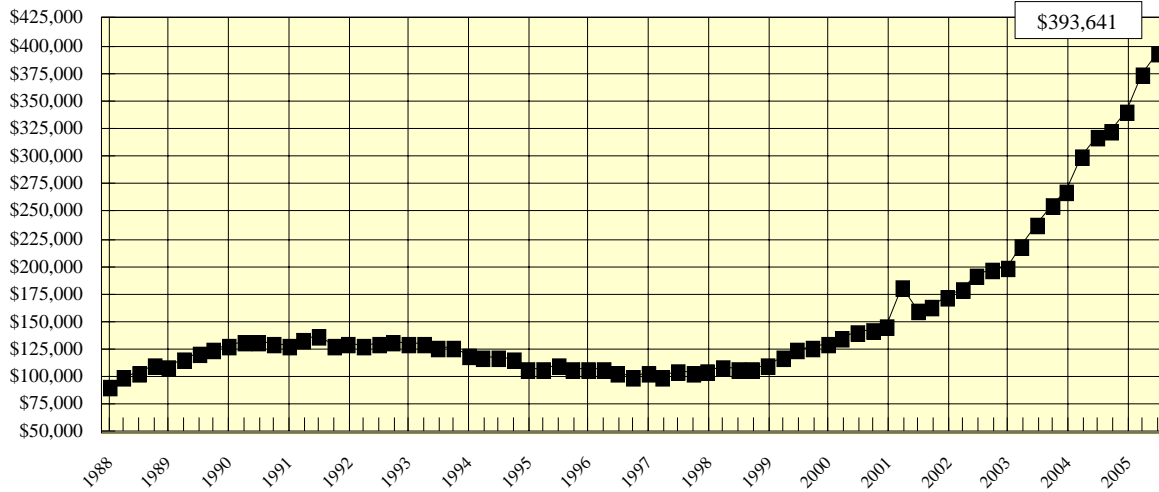
- In 2005, Riverside's new home sales of 1,084 (*Exhibit 23*) ranks sixth in the Inland Empire. The city was behind Fontana (1,448) and ahead of Rancho Cucamonga (1,025), San Bernardino (577) and Ontario (254). The market was led by Murrieta (3,630) and Corona (2,907).
- During 2004-2005, Riverside's new home volume was up 264 units (*Exhibit 24*). Among major Inland Empire markets, this was behind Murrieta (1,174), Corona (629) and Fontana (573). Several major cities saw volume slow in 2005.

**Exhibit 24.-New Home Sales Growth
Major Inland Empire Cities, 2004-2005**



Source: Dataquick

**Exhibit 25.-Existing Home Prices, Quarterly
Riverside, Not Seasonally Adjusted, By Quarter, 1988-2005**



Existing Home Prices . . .

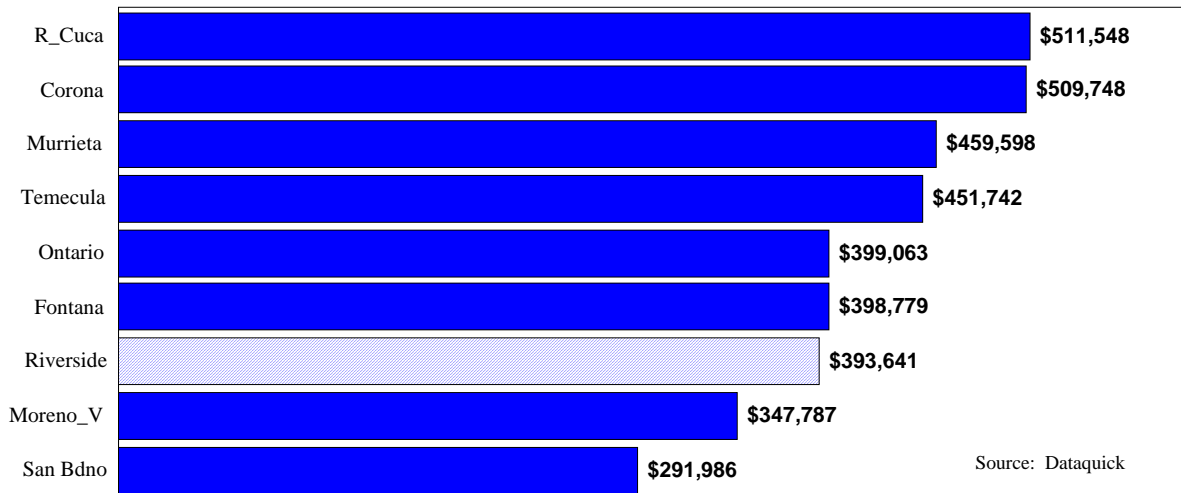
- At \$393,641, Riverside's existing home prices were 23.5% higher in 3rd quarter 2005 than for that period of 2004. Since early 1997, the city's existing home prices have risen during almost every quarter (*Exhibit 25*).
- Historically, Riverside's median existing home price peaked at \$137,077 in 3rd quarter 1991. It then fell to \$100,929 by 4th quarter 1996 due to Southern California's post Cold War recession (*Exhibit 26*). Since then, the median existing home price has risen in almost every quarter, reaching the record \$393,641 in 3rd quarter 2005.

Exhibit 26.-Existing Home Prices, Riverside, Quarterly, 1988-2005

Quarter	Sales	1-Yr Chg.	Quarter	Sales	1-Yr Chg.	Quarter	Sales	1-Yr Chg.	Quarter	Sales	1-Yr Chg.
1st-88	\$92,425		1st-93	\$130,772	0.1%	1st-98	\$106,563	3.2%	1st-03	\$199,311	14.7%
2nd-88	\$101,259		2nd-93	\$129,839	0.6%	2nd-98	\$109,790	8.8%	2nd_03	\$218,527	21.9%
3rd-88	\$103,197		3rd-93	\$126,816	-3.0%	3rd-98	\$107,438	1.4%	3rd_03	\$238,003	23.5%
4th-88	\$110,927		4th-93	\$126,161	-5.2%	4th-98	\$107,619	2.7%	4th_03	\$255,764	29.5%
1st-89	\$108,802	17.7%	1st-94	\$119,131	-8.9%	1st-99	\$110,301	3.5%	1st-04	\$268,354	34.6%
2nd-89	\$115,960	14.5%	2nd-94	\$118,340	-8.9%	2nd-99	\$117,417	6.9%	2nd-04	\$299,577	37.1%
3rd-89	\$121,169	17.4%	3rd-94	\$117,390	-7.4%	3rd-99	\$125,734	17.0%	3rd-04	\$318,853	34.0%
4th-89	\$124,778	12.5%	4th-94	\$116,158	-7.9%	4th-99	\$126,328	17.4%	4th-04	\$324,031	26.7%
1st-90	\$128,621	18.2%	1st-95	\$107,847	-9.5%	1st -00	\$130,372	18.2%	1st-05	\$341,859	27.4%
2nd-90	\$132,797	14.5%	2nd-95	\$107,186	-9.4%	2nd-00	\$135,877	15.7%	2nd-05	\$373,816	24.8%
3rd-90	\$132,864	9.7%	3rd-95	\$110,492	-5.9%	3rd-00	\$141,506	12.5%	3rd-05	\$393,641	23.5%
4th-90	\$131,315	5.2%	4th-95	\$108,156	-6.9%	4th-00	\$142,934	13.1%			
1st-91	\$128,051	-0.4%	1st-96	\$106,885	-0.9%	1st -01	\$145,963	12.0%			
2nd-91	\$133,952	0.9%	2nd-96	\$107,582	0.4%	2nd-01	\$181,671	33.7%			
3rd-91	\$137,077	3.2%	3rd-96	\$103,276	-6.5%	3rd-01	\$161,355	14.0%			
4th-91	\$129,582	-1.3%	4th-96	\$100,929	-6.7%	4th-01	\$164,955	15.4%			
1st-92	\$130,666	2.0%	1st-97	\$103,218	-3.4%	1st -02	\$173,695	19.0%			
2nd-92	\$129,032	-3.7%	2nd-97	\$100,947	-6.2%	2nd-02	\$179,239	-1.3%			
3rd-92	\$130,744	-4.6%	3rd-97	\$105,961	2.6%	3rd-02	\$192,637	19.4%			
4th-92	\$133,054	2.7%	4th-97	\$104,790	3.8%	4th-02	\$197,479	19.7%			

Source: Dataquick

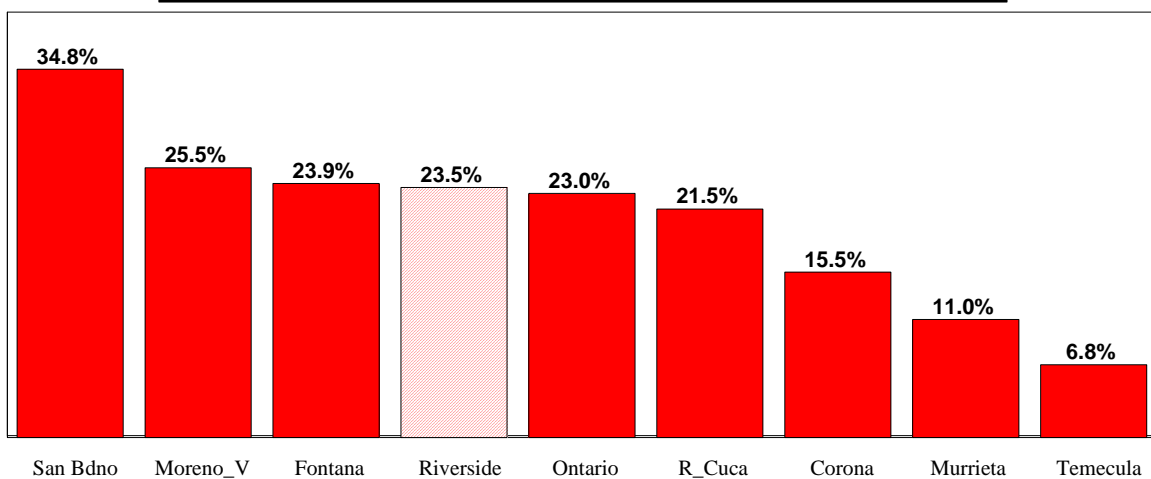
**Exhibit 27.-Existing Home Price Comparison
Major Inland Empire Cities, 3rd Qtr. 2005**



Existing Home Prices . . .

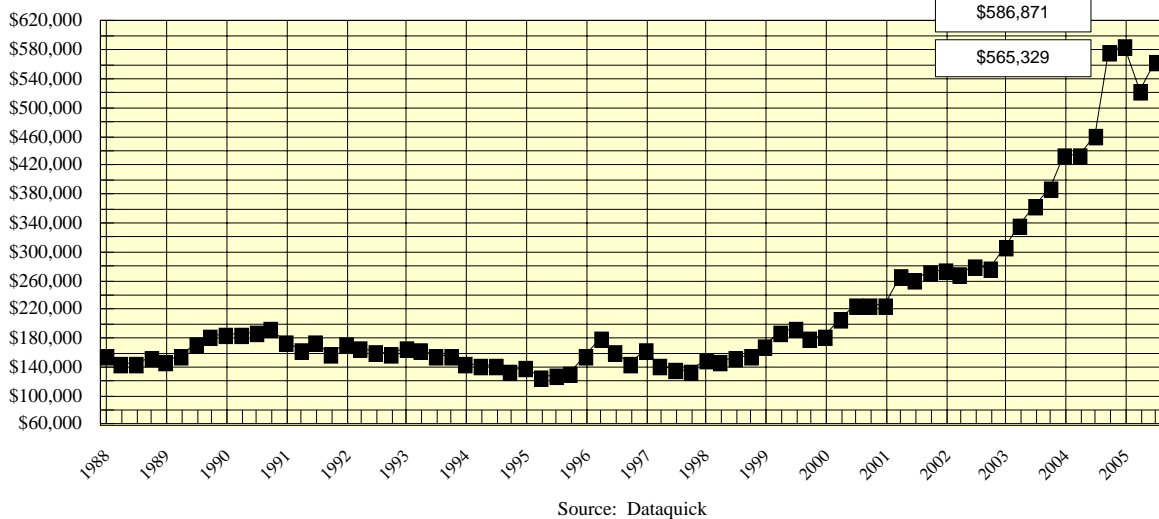
- In 3rd quarter of 2005, Riverside's median home price of \$393,641 was the seventh highest among major Inland Empire communities behind Fontana (\$398,779) and ahead of Moreno Valley (\$347,787) (*Exhibit 27*). The highest priced new homes were next to each of the coastal counties: Rancho Cucamonga near Los Angeles (\$511,548); Corona near Orange (\$509,748); Murrieta near San Diego (\$459,598).
- In 2005, the 23.5% rise in the median price of Riverside's existing homes was the four highest among the Inland Empire's major markets following San Bernardino (34.8%), Moreno Valley (25.5%) and Fontana (23.9%). It was just ahead of Ontario (23.0%) (*Exhibit 28*). Note that the force of market moved to the central cities of the Inland Empire during 2005. In 2004, the fastest appreciation was in the cities adjacent to the coastal counties. However, existing home price rises in expensive cities like Corona (15.5%), Murrieta (11.0%) and Temecula (6.8%) slowed in 2005.

**Exhibit 28.-Existing Home Percent Price Changes
Major Inland Empire Cities, 3rd Qtr. 2004-2005**



Residential Information

**Exhibit 29.-New Home Prices, Quarterly
Riverside, Not Seasonally Adjusted, By Quarter, 1988-2005**



New Home Prices . . .

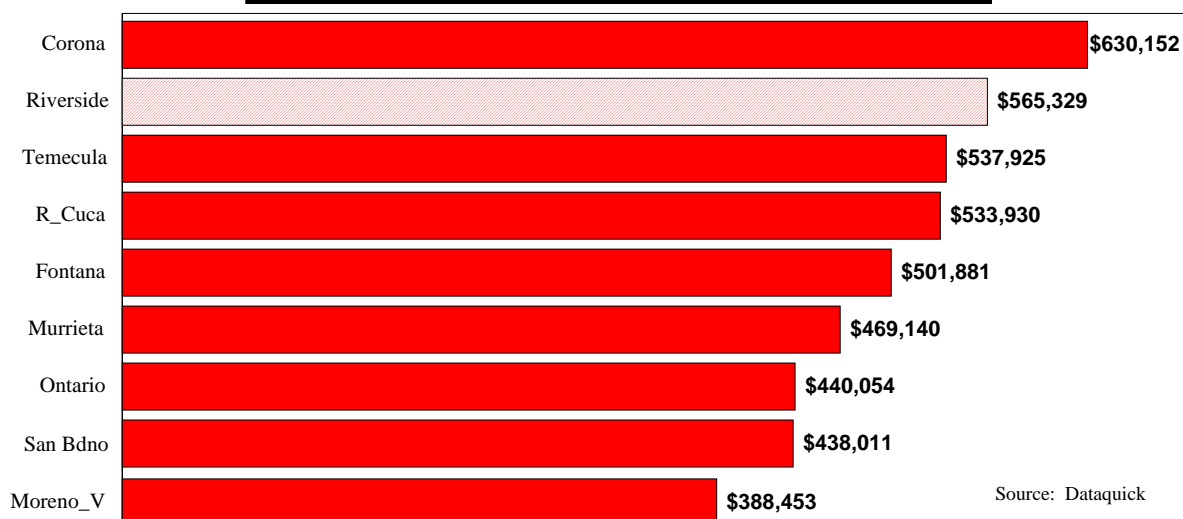
- Riverside's new homes traded at a record median price of \$586,871 in 1st quarter 2005. This slowed to \$565,329 in 3rd quarter 2005. That price was still 22.3% higher than in 2004. The slowing occurred because the homes offered for sale were a little smaller than those in the 1st quarter. Earlier, the city's new home prices peaked at \$193,662 in 4th quarter 1990 but fell to a low of \$127,217 in 2nd quarter 1995 due to Southern California's post Cold War recession. The median price has since risen more than 4-fold (*Exhibits 29-30*).
- Much of Riverside's new home activity is in its Orange Crest area or unincorporated Woodcrest, just south of the city. In these zip codes, prices are at high levels as developers respond to a lack of new lots and a demand for large homes by buyers coming from Orange County where even small homes are extraordinarily expensive.

Exhibit 30.-New Home Prices, Riverside, Quarterly, 1988-2005

Quarter	Sales	1-Yr Chg.	Quarter	Sales	1-Yr Chg.	Quarter	Sales	1-Yr Chg.	Quarter	Sales	1-Yr Chg.
1st-88	\$154,795		1st-93	\$166,637	-3.5%	1st-98	\$151,170	-7.8%	1st-03	\$308,335	11.8%
2nd-88	\$145,820		2nd-93	\$164,305	-0.8%	2nd-98	\$147,139	3.9%	2nd-03	\$337,613	25.5%
3rd-88	\$143,903		3rd-93	\$155,014	-4.4%	3rd-98	\$153,434	11.2%	3rd-03	\$364,899	29.8%
4th-88	\$153,112		4th-93	\$154,780	-2.2%	4th-98	\$156,725	15.5%	4th-03	\$389,152	40.4%
1st-89	\$149,029	-3.7%	1st-94	\$144,555	-13.3%	1st-99	\$169,761	12.3%	1st-04	\$434,724	41.0%
2nd-89	\$154,915	6.2%	2nd-94	\$142,558	-13.2%	2nd-99	\$187,496	27.4%	2nd-04	\$433,685	28.5%
3rd-89	\$173,228	20.4%	3rd-94	\$143,322	-7.5%	3rd-99	\$194,414	26.7%	3rd-04	\$462,082	26.6%
4th-89	\$184,299	20.4%	4th-94	\$133,269	-13.9%	4th-99	\$181,478	15.8%	4th-04	\$577,239	48.3%
1st-90	\$185,778	24.7%	1st-95	\$138,632	-4.1%	1st-00	\$183,078	7.8%	1st-05	\$586,871	35.0%
2nd-90	\$186,260	20.2%	2nd-95	\$127,217	-10.8%	2nd-00	\$207,892	10.9%	2nd-05	\$524,195	20.9%
3rd-90	\$189,523	9.4%	3rd-95	\$129,333	-9.8%	3rd-00	\$226,457	16.5%	3rd-05	\$565,329	22.3%
4th-90	\$193,662	5.1%	4th-95	\$130,526	-2.1%	4th-00	\$225,201	24.1%			
1st-91	\$175,758	-5.4%	1st-96	\$156,316	12.8%	1st-01	\$225,925	23.4%			
2nd-91	\$164,972	-11.4%	2nd-96	\$179,279	40.9%	2nd-01	\$268,136	29.0%			
3rd-91	\$173,930	-8.2%	3rd-96	\$162,337	25.5%	3rd-01	\$262,696	16.0%			
4th-91	\$158,413	-18.2%	4th-96	\$143,923	10.3%	4th-01	\$272,622	21.1%			
1st-92	\$172,689	-1.7%	1st-97	\$163,980	4.9%	1st-02	\$275,703	22.0%			
2nd-92	\$165,606	0.4%	2nd-97	\$141,573	-21.0%	2nd-02	\$268,988	0.3%			
3rd-92	\$162,219	-6.7%	3rd-97	\$137,934	-15.0%	3rd-02	\$281,124	7.0%			
4th-92	\$158,265	-0.1%	4th-97	\$135,721	-5.7%	4th-02	\$277,265	1.7%			

Source: Dataquick

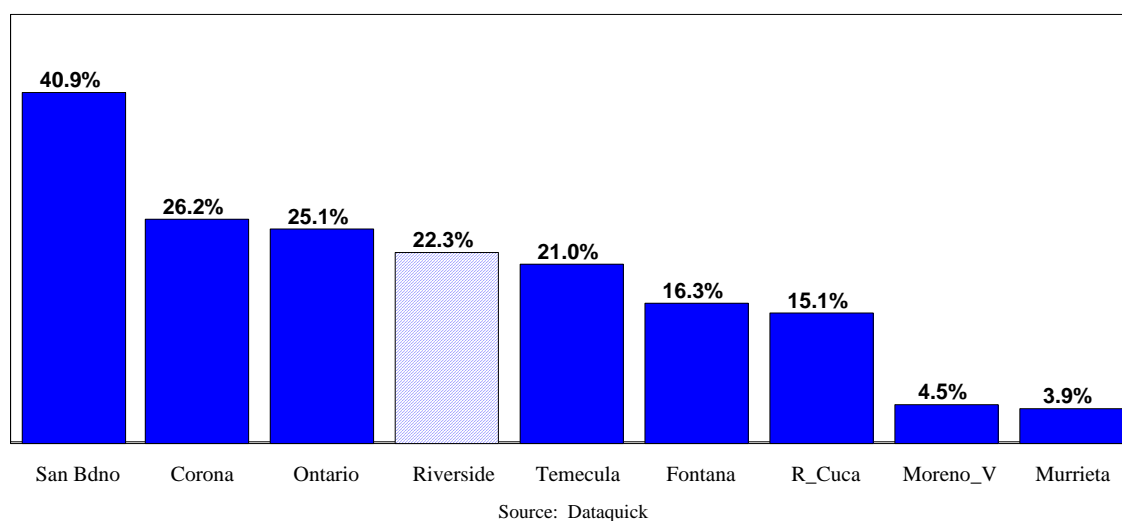
**Exhibit 31.-New Home Price Comparison
Major Inland Empire Cities, 3rd Qtr. 2005**



New Home Prices . . .

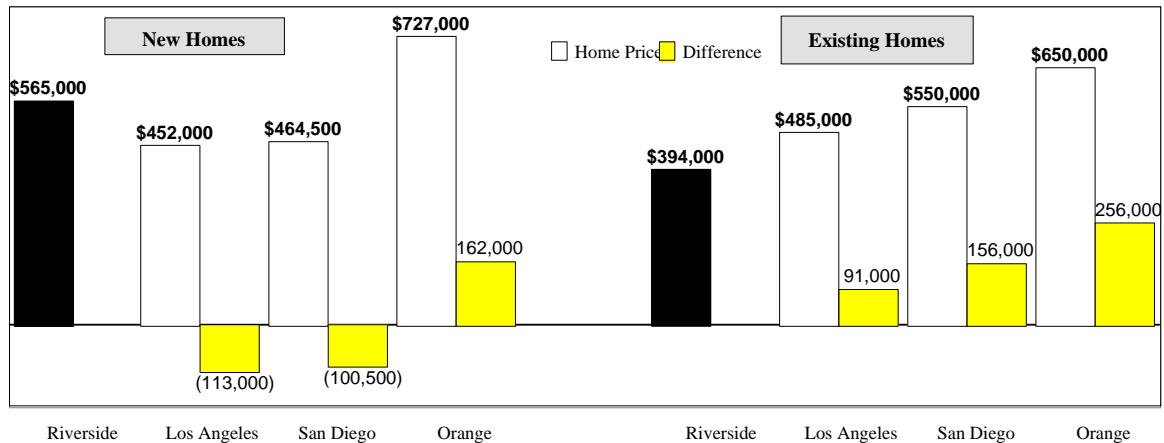
- Riverside's 3rd quarter 2005 median new home price of \$565,329 ranked second among the Inland Empire's major markets. The highest price in these large markets was in Corona (\$630,152). Temecula (\$537,925) ranked next behind Riverside. The lowest median new home prices were found in San Bernardino (\$438,011) and Moreno Valley (\$388,453) (*Exhibit 31*).
- Riverside's 22.3% increase in new home prices for homes sold in 2005 represented the fourth highest percentage price increase among the Inland Empire's major cities behind San Bernardino (40.9%), Corona (26.2%) and Ontario (25.1%). Murrieta had the smallest increase (3.9%) (*Exhibit 32*).

**Exhibit 32.-New Home Price Changes
Major Inland Empire Cities, 3rd Qtr. 2004-2005**



Residential Information

**Exhibit 33.-Riverside Price Advantage
Median Prices So. California Counties, 3rd Quarter 2005**

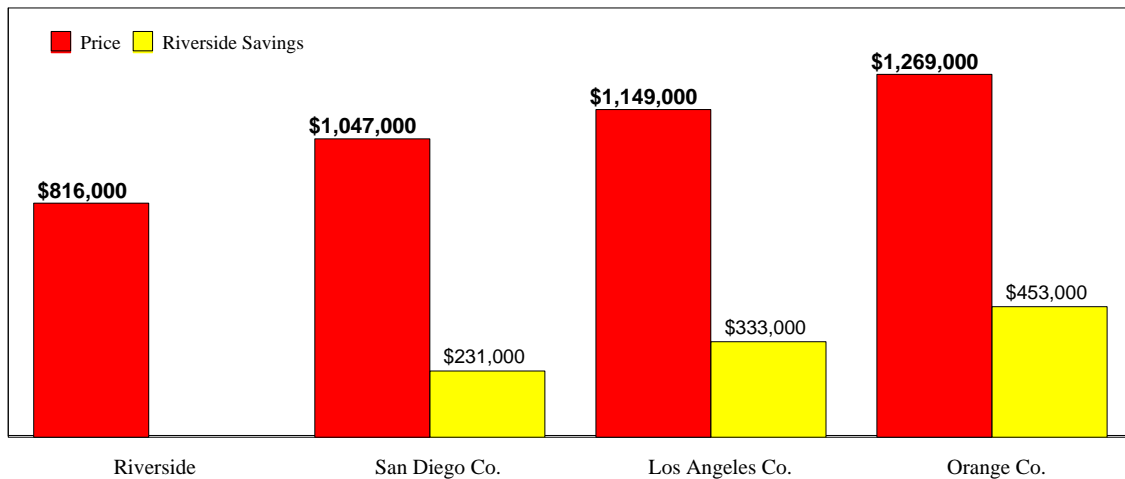


Source: Dataquick

Riverside Home Prices Compared To Southern California Prices . . .

- In 3rd quarter 2005, Riverside's median priced new home of \$565,000 was \$113,000 higher than Los Angeles County (\$452,000), and \$100,500 above San Diego County (\$464,500), but \$162,000 less expensive than Orange County (\$727,000) (*Exhibit 33*). Much of the city's demand is coming from Orange County.
- Riverside's 3rd quarter 2005 median existing home price of \$394,000 was \$91,000 below Los Angeles County (\$485,000), \$156,000 less than San Diego County (\$550,000) and \$256,000 below Orange County (\$650,000).
- Riverside's new homes have become relatively expensive because of their size. This is seen when comparing the cost of a standardized 3,000 square foot home. At Riverside's median price per square foot (\$285), the price would be \$816,000 (*Exhibit 34*). That is \$231,000 to \$453,000 less than a 3,000 square foot house at the median prices of the coastal counties: San Diego (\$1,047,000 @ \$349 sq.ft.), Los Angeles (\$1,149,000 @ \$383 sq.ft.) and Orange (\$1,269,000 @ \$423 sq.ft.).

**Exhibit 34.-Riverside's Price Advantage, October 2005
3,000 Square Foot House @ Median Cost Per Sq. Foot**



Source: Dataquick

Exhibit 35.-Apartment Vacancy & Rental Rates, Inland Empire, 2nd Qtr 2005

Market	Vacancy Rates	Average Rent: 50 Plus Units
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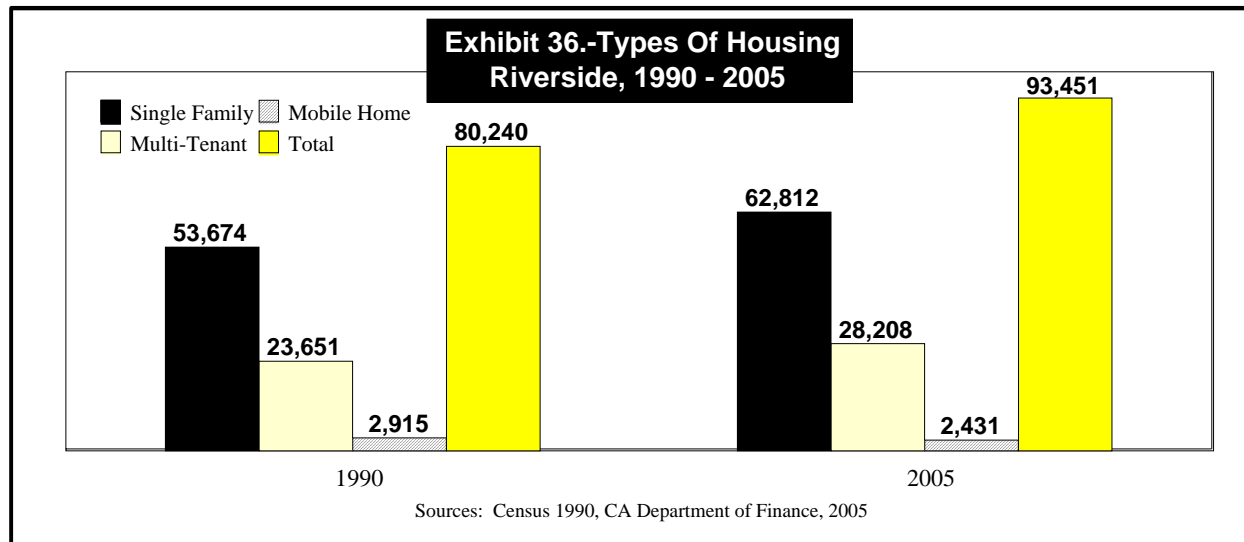
Residential Information

	2004	2005	2004	2005	Percent
Chino/Chino Hills	4.3%	4.7%	\$1,172	\$1,239	5.7%
Ontario-R. Cucamonga	4.5%	4.2%	1,113	1,166	4.8%
Riverside	4.8%	5.6%	1,107	1,153	4.2%
Upland/Montclair	3.7%	3.4%	1,006	1,071	6.5%
Temecula Valley	5.2%	6.1%	1,022	1,065	4.2%
Inland Empire Market	4.3%	4.0%	973	1,029	5.8%
Riverside	5.0%	4.0%	947	1,005	6.1%
Colton/G. Terrace/Loma Linda	4.6%	2.8%	886	953	7.6%
Fontana/Rialto	3.2%	2.8%	867	922	6.3%
Moreno Vly-Pass Area	4.0%	2.0%	868	911	5.0%
San Bdn/Highland	3.8%	4.5%	835	897	7.4%
Coachella Valley	4.4%	3.7%	849	892	5.1%
Perris Hemet	2.4%	1.9%	779	821	5.4%

Source: Hendricks & Partners, Inc.

Apartment Rents & Vacancy Rates . . .

- Riverside's 2nd quarter 2005 average monthly apartment rental rate of \$1,005 was up 6.1% from 2nd quarter 2004. The rate was the Inland Empire's six highest behind Temecula Valley (\$1,065) and ahead of Colton/Grand Terrace/Loma Linda (\$953) (*Exhibit 35*). Chino/Chino Hills (\$1,239) had the highest rate.
- Riverside had a 4.0% vacancy rate in 2nd quarter 2005, down from 5.0% in 2004. The rate was in the upper range for the Inland Empire. The lowest was 1.9% in Perris-Hemet. The highest was 6.1% in Temecula.



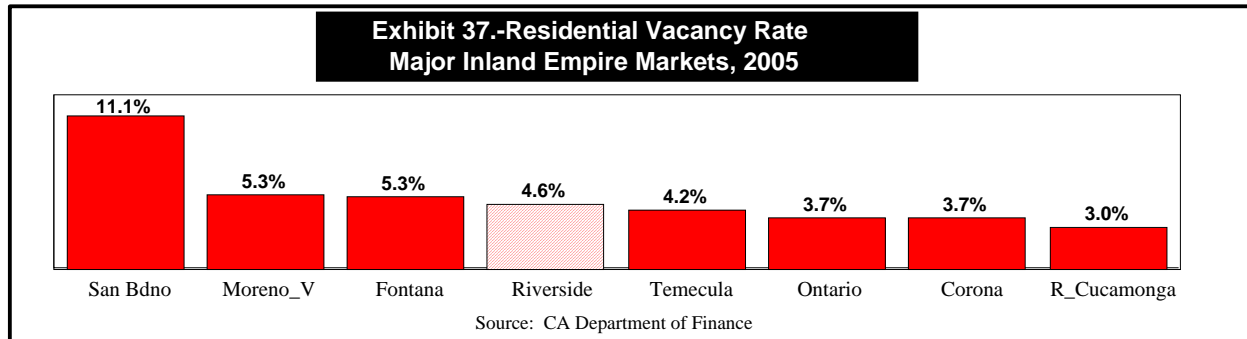
Dwelling Units . . .

- In 1990, Riverside had 80,240 dwelling units. The total reached 93,451 in 2005. That was an increase of 13,211 (16.5%).
- From 1990-2005, the city added 9,138 more single family detached units. That represented 69.2% of the increase in its housing stock.
- An additional 4,557 units were added in multitenant projects, representing 34.5% of its new housing.
- There was a decline of 484 mobile homes from 1990-2005 causing the total of the other two portions of the market to add to 103.7% (*Exhibit 36*).

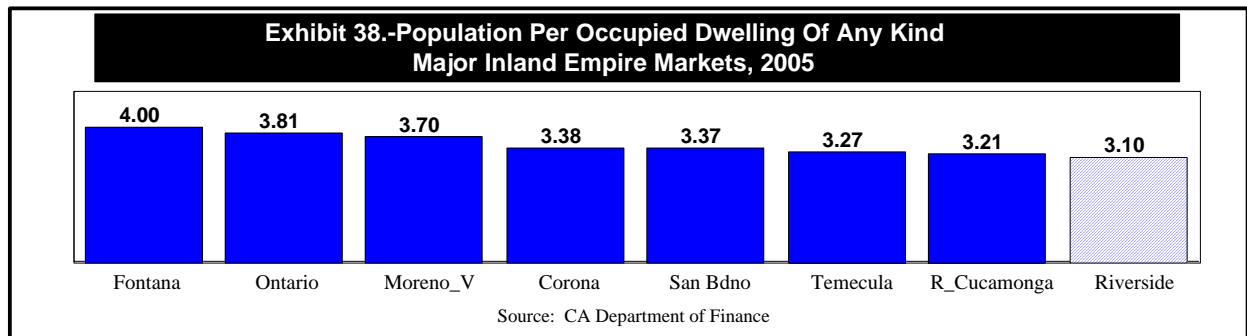
Residential Information

OTHER HOUSING MEASURES . . .

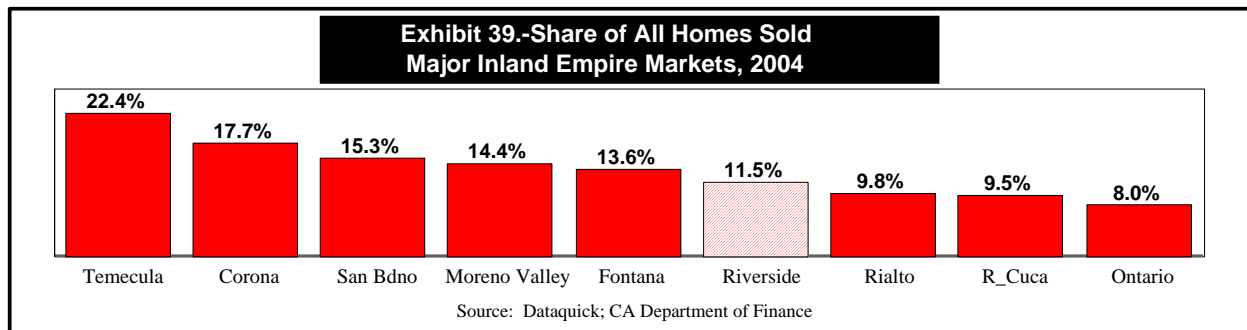
- In 2005, 4.6% of Riverside's dwellings of all kinds were vacant (*Exhibit 37*). This was in the middle range of the large Inland Empire cities from 11.1% in San Bernardino to Rancho Cucamonga (3.0%).



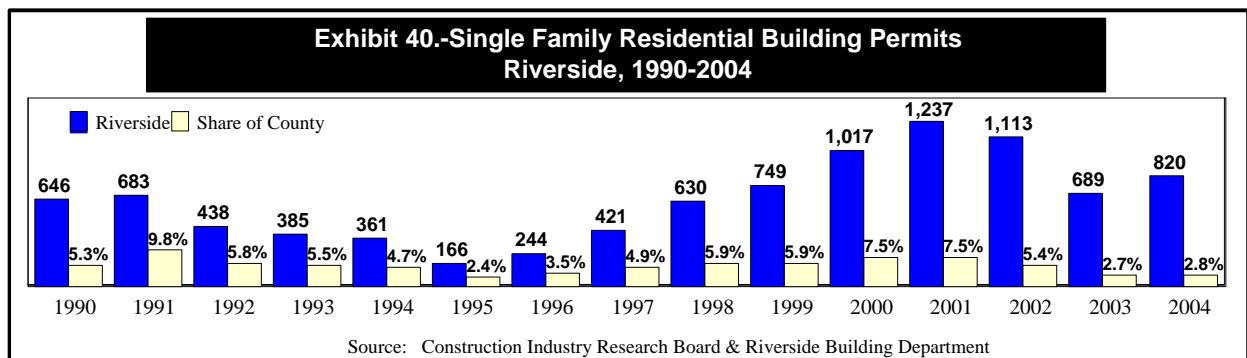
- Riverside's 3.10 people per occupied unit is the lowest of the inland region's major population centers. The ratio was up from 2.92 in 1990. Among major cities, Fontana had the densest population (4.00) (*Exhibit 38*).



- In 2004, 11.5% of Riverside's homes were sold, the fourth lowest housing turnover of the Inland Empire's major cities after Fontana (13.6%). Temecula was the highest (22.4%), Ontario (8.0%) the lowest (*Exhibit 39*).



- In 2004, 820 single family housing permits were issued in Riverside. That was 2.8% of the permits in Riverside County. The 2004 increase in permits was observed in the city's higher 2005 new home sales (*Exhibit 40*).



RIVERSIDE

SECTION 4

EMPLOYMENT

Riverside's employment data reflect its historic position as a retail, government, education and traditional manufacturing center. For instance, in 2004, the high paying governmental sector represented 13.5% of city employment against just 8.8% for the region. Since 2000, the city has been adding jobs faster than the Inland Empire, the state's fastest growing region. This is a reversal of the 1990s, when the city strengths were adversely affected by the nation's defense realignment which took jobs from Rohr and March Air Force Base. It has come about, in part, because the high energy I-15 corridor from Corona to Rancho Cucamonga is running out of land, pushing the impetus for job and payroll growth deeper inland towards Riverside.

Looking forward, Riverside has numerous strengths. High-end workers are now migrating to its growing base of upscale homes. The University of California Riverside, La Sierra University, California Baptist University and Riverside Community College are in the city. Its workers will work for less to avoid commuting, giving local firms a wage cost advantage of 5.2% compared to Los Angeles County and 5.4% to Orange County. The city's industrial space leases are well below those in coastal counties. The city's electrical rates are a California bargain, and the city is intensively involved in broadband deployment and technology park development.

Riverside is centrally located to the Inland Empire market and is connected to Orange County by the SR-91. Lanes have been added to Route 60 connecting to Ontario International Airport and Los Angeles and the SR-91 towards Orange County. The traffic bottleneck at the 91-215-60 interchange will soon be alleviated. City firms now have access to the new western hub of DHL at March Air Reserve Base (ARB) for air cargo. They have access to Union Pacific Southern Pacific and Burlington Northern Santa Fe railroads plus the latter's huge intermodal yard just 12 miles away. Riverside Municipal Airport has industrial and office sites for those wanting direct access to a general aviation facility with an FAA controlled tower.

Employment. Between 1991-2004, revised CA Employment Development Department data show that Riverside's employment rose from 108,526 to 155,763 (*Exhibit 41*), up 7,237 jobs or 43.5%. The city's employment was led by the low paying retailing sector (25,392), followed by the high paying education (21,006) and government (20,988) sectors. The moderate paying construction sector was fourth (15,948). From 1991-2004, the city's fastest growing sector was education (8,610), followed by construction (6,897) and retailing (6,852) (*Exhibits 42-43*). From 2003-2004, a gain of 7,848 jobs (6.3%) was led by retailing (1,602) and distribution (1,181).

Reflecting its location east of the I-15 corridor, Riverside's annual job growth was below that of the Inland Empire in the 1990's. Starting in 2000, this changed with rates of 5.3%, 6.4%, 3.9%, 6.3% and 5.3% exceeding the region's 5.2%, 4.0%, 3.2%, 3.3% and 4.4% (*Exhibit 44*). This growth has led to changes in the city's economic composition. In 2004, retailing was Riverside's largest sector with 16.3% of jobs, but down from 17.1% in 1990 as the economy became more diversified. Government had the city's second largest job share at 13.5% in 2004, down from 14.4%. Third ranked education was 13.5% of city jobs, up from 11.4% in 1990. Fourth ranked construction was 10.2% of the city's jobs, up from 8.3% (*Exhibits 45-46*). The worst performance was in manufacturing which fell to 8.5% in 2004, down from 13.4% in 1991.

Payroll. The payroll of firms located in Riverside has followed a pattern similar to employment, but more aggressive. From 1991-2004, city payrolls doubled from \$2.6 billion to \$5.6 billion, up \$3.0 billion or 113.8% (*Exhibit 47*). Adjusting for the 37.0% inflation, the payroll was up \$2.0 billion or 76.8% (*Exhibit 48*). In 2004, Riverside's largest total payroll was in government (\$983 million), education (\$764 million), construction (\$621 million) and health services (\$613 million) (*Exhibit 49*). From 1991-2004, the largest gains were in education, up \$488.3 million and government, up \$477.2 million followed by construction (\$396.3 million), health (\$341.9 million) and retailing (\$333.3 million) (*Exhibit 50*). More recently, from 2003-2004, the largest share of the \$542.4 million gain in payroll was from health care (\$62 million, 11.3% share), followed by distribution (\$55 million, 10.2% share) and government (\$50 million, 9.3% share).

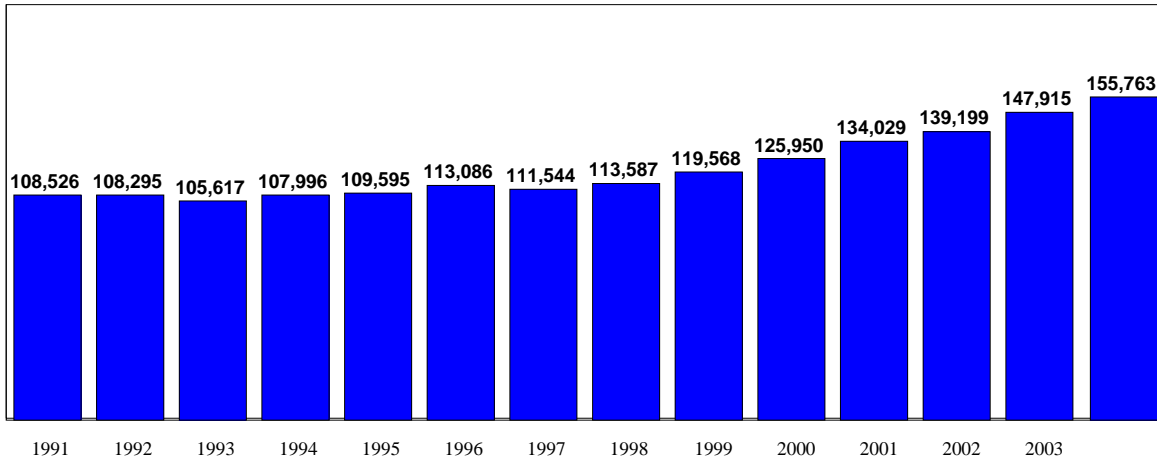
Average Pay Per Job. Average annual pay per job in Riverside rose from \$23,991 in 1991 to \$35,737 in 2004 up \$11,746 (49.0%). This was partially offset by the 37.0% increase in prices, leaving the average job with \$2,880 more purchasing power (12.0%) (*Exhibits 51-52*). (*Note: Average pay is for people working, not living in the city. Also, it is not family income since it is likely there is more than one worker in a household.*) In 2004, Riverside's best paying sectors required higher levels of skill or education: utilities (\$51,840), finance, insurance & real estate (\$50,408), engineering & management (\$48,656), government (\$46,841) and health (\$42,541) (*Exhibits 53-54*). Of these, only government and health are leading job providers. Retailing, the top sector in jobs, offered low average pay of \$22,295. The next three major employing sectors paid relatively well: education (\$36,371), government (\$46,841) and construction (\$38,958). Among blue collar sectors, logistics & distribution (\$36,256) saw its average pay jump 63.3% from 1991-2004. Construction pays better (\$38,958) and its pay grew 56.7%. Manufacturing pays the most (\$41,234) but has seen its average pay grow the least, 35.1%.

Number & Size Of Firms. From 1991-2004, the number of firms in Riverside grew from 5,318 to 6,622, up 1,303 (24.5%) (*Exhibits 55-56*). These data are an "impression" of actual growth as they only include firms with payroll. Within this 13-year period, the city saw 404 new firms in other "consumer services", followed by distribution (210), retailing (157), health (128) and engineering & management (117) (*Exhibits 57-58*). Riverside's economy is dominated by small firms, with the average employment growing slowly from 20.4 to 23.5 workers from 1991-2004 (*Exhibit 59*). In 2004, the only exceptions to the small size rule were in government (1,668.2) as it is a county seat, education (295.7) and employment agencies (78.0). Otherwise, the firms were small with the highest averages in manufacturing (31.6), utilities (29.8) and health services (26.3). All others were under 25 workers (*Exhibit 60*).

Occupations of Residents. A comparison of the sectors in which Riverside's residents worked (*locally or as commuters*) versus the local jobs available shows the balance between jobs needed in the city to the jobs available. For the top sectors the balance was: education (21.2% worked; 22.7% local jobs), retailing (14.0% worked, 16.3% local jobs), manufacturing (11.6% worked; 8.5% local jobs), professionals (10.6% worked; 8.5% local jobs), transportation & communications (9.5% worked; 7.8% local jobs) and construction (9.3% worked; 10.2% local jobs) (*Exhibit 61*). Looking at occupational categories instead of sectors, in 2004, 27.7% of Riverside's residents worked as managers and professionals. This was above the 25.3% for the Inland Empire (*Exhibit 62*). The same was true in construction (12.6%) versus the region's average (11.2%). On the other hand, just 13.2% of city workers had service jobs versus the region's 15.2%. That was also true of production and transportation (11.6% v. 13.6%).

Employment

**Exhibit 41.-Employment
Riverside, 1991-2004**



Source: CA Employment Development Department

City Employment, 1991-2004 . . .

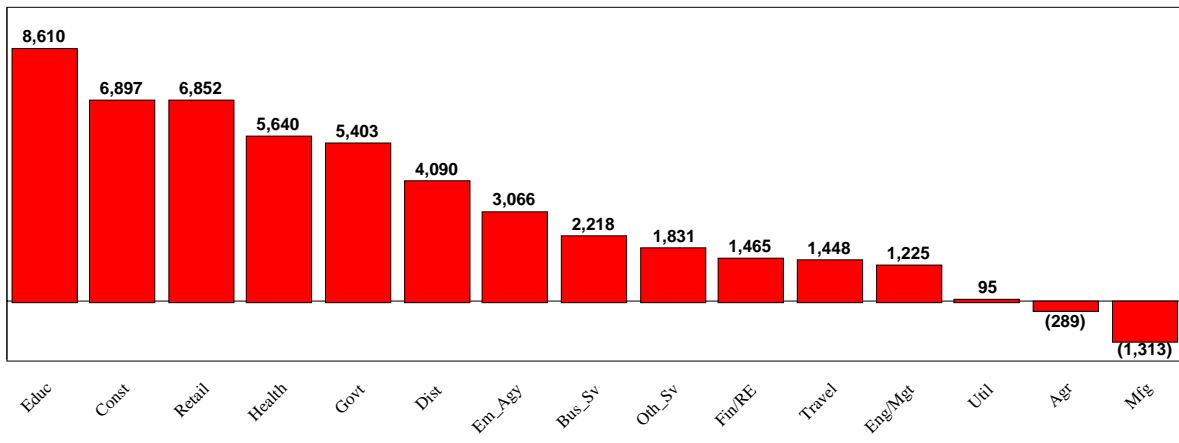
- In 2004, employment within the City of Riverside reached 155,763. This was a 47,237 job gain over 1991 (43.5%). Since 1998, the pace of city job growth has picked up speed after being dormant during most of the 1990's (*Exhibit 41*). Riverside added 7,848 jobs from 2003-2004, a strong 5.3% growth rate.
- Riverside's employment profile highlights the importance of its historic role as a government and population center. Retailing was the city's largest sector with 25,392 jobs. The sector added 1,602 jobs in 2004 to lead the city. Education ranked second with 21,006 jobs, but created only 818 in 2004 due to state budget difficulties. Government was third at 20,988 jobs, up 894 in 2004. Construction was fourth with 15,948 positions. It added a second placed 1,340 jobs in 2004 (*Exhibit 42*). Interestingly, the city's third largest job gain in 2004 was 1,181 positions in the distribution sector. Its largest job loss was 306 in hotel & amusement.
- Riverside's fastest growth rate from 1991-2004 was in the employment agency sector, up 68.4% to 3,421 jobs.

Exhibit 42.-Employment By Sector, Riverside, 1991-2004

Sectors	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	%91-04
Retail Trade	18,541	19,020	19,036	18,254	18,847	19,645	18,898	19,865	21,284	22,746	23,595	23,778	23,791	25,392	37.0%
Education	12,396	12,743	10,652	11,611	12,114	12,817	15,347	15,150	16,921	17,791	19,643	19,909	20,189	21,006	69.5%
Government	15,585	15,680	15,787	15,235	15,108	14,863	14,678	14,250	13,674	15,121	17,630	19,597	20,194	20,988	34.7%
Construction	9,052	6,986	6,518	7,077	6,688	7,016	7,232	8,605	9,805	10,064	11,444	11,746	14,609	15,948	76.2%
Health Serv.	8,767	8,356	8,542	8,237	8,336	9,522	9,387	10,024	10,477	10,043	10,584	11,505	13,964	14,407	64.3%
Manufacturing	14,499	13,563	12,684	12,933	13,434	13,280	13,126	12,658	13,308	14,089	14,403	13,903	12,838	13,186	-9.1%
Logistics	6,365	6,830	5,963	6,262	5,811	5,818	5,212	5,538	6,020	6,569	6,508	6,613	9,274	10,455	64.3%
Oth. Service	6,346	6,709	6,931	6,961	7,805	8,176	7,310	7,002	7,545	7,684	7,922	8,301	8,039	8,177	28.8%
Fin, Ins, REst	4,687	5,683	6,037	5,799	5,429	6,123	4,837	4,625	4,483	4,452	4,878	5,249	5,628	6,152	31.3%
Bus. Serv.	3,701	3,686	3,567	3,623	3,753	3,712	3,867	4,238	4,107	4,776	4,643	5,371	5,500	5,919	59.9%
Employ Agcy.	1,416	2,359	2,509	2,861	3,304	3,277	3,974	4,099	3,998	4,482	4,098	4,254	4,256	4,482	216.5%
Hotel/Amuse	1,667	1,513	1,502	2,352	2,466	2,583	2,206	2,247	2,092	2,070	2,192	2,224	3,421	3,115	86.9%
Eng. & Mgmt	1,579	1,311	1,351	1,969	1,919	1,380	1,374	1,319	1,854	2,313	2,424	2,533	2,368	2,804	77.6%
Agriculture	2,346	2,337	3,121	3,391	3,218	3,602	2,771	2,676	2,618	2,291	2,216	2,218	2,098	2,057	-12.3%
Utilities	1,581	1,522	1,419	1,431	1,365	1,272	1,325	1,292	1,382	1,460	1,849	1,997	1,747	1,676	6.0%
TOTAL	108,526	108,295	105,617	107,996	109,595	113,086	111,544	113,587	119,568	125,950	134,029	139,199	147,915	155,763	43.5%

Source: CA Employment Development Department

**Exhibit 43.-Employment Gain By Sector
Riverside, 1991-2004**

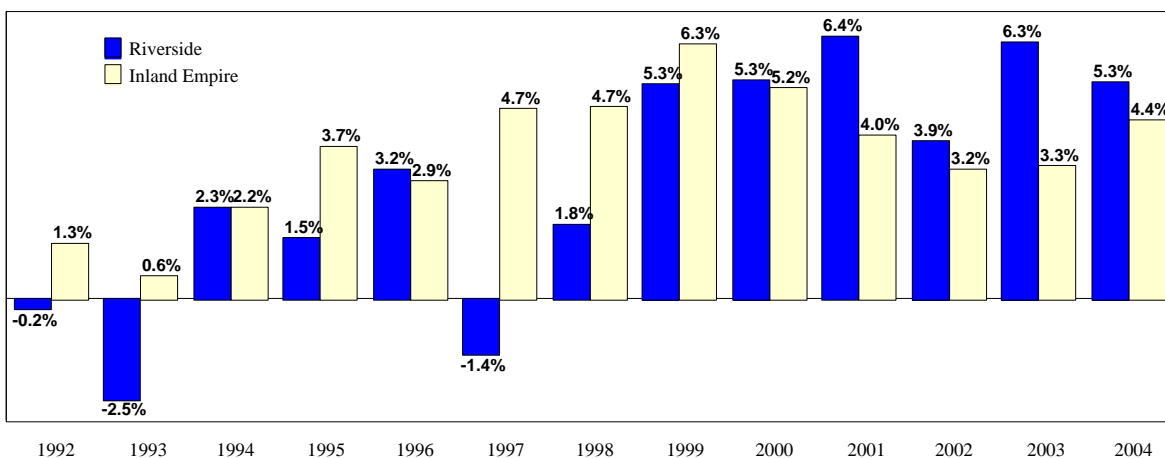


Source: CA Employment Development Department

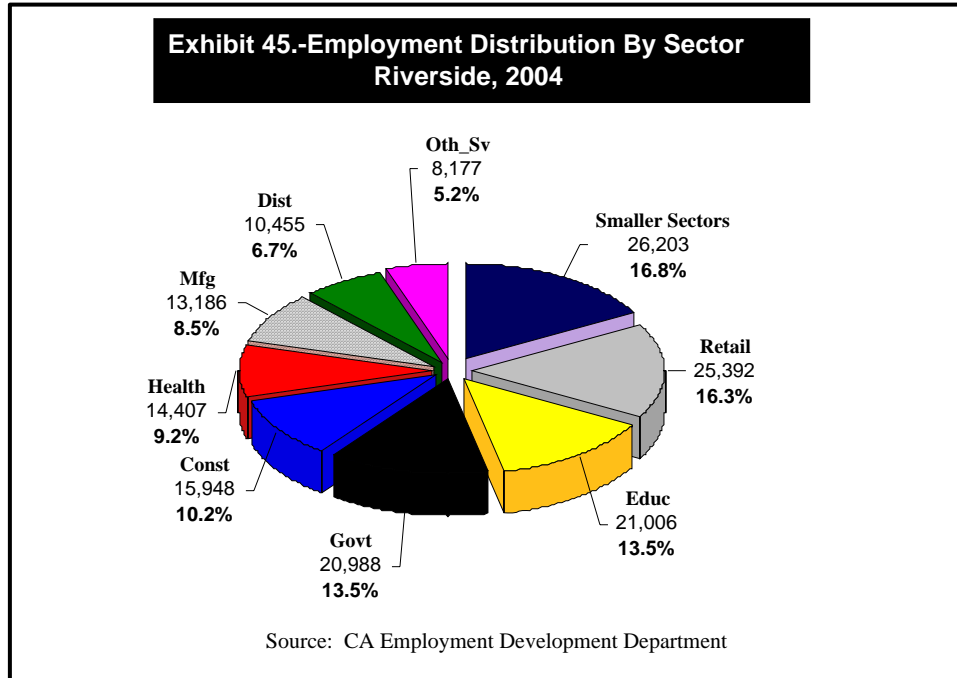
Job Growth, 1991-2004 . . .

- From 1991-2004, Riverside recorded 47,237 new jobs. The largest number were in education (8,610) and construction (6,897) (*Exhibit 43*). This was followed by the gains in the retail (6,852) and health sectors (5,640).
- The good paying governmental sector (5,403) had the next largest gain. Next were the mid-paying distribution (4,090) and the low paying employment agency (3,066) and business services (2,218) sectors. In this 14-year time frame, the city lost jobs in manufacturing (-1,313) mostly due to aerospace cutbacks early in the 1990's plus recent cutbacks in the sector.
- Riverside's job growth rate was generally slower than that of the Inland Empire in the 1990's. However in 2000-2004, its growth rates of 5.3%, 6.4%, 3.9%, 6.3% and 5.3% were faster than the region's 5.2%, 4.0%, 3.2%, 3.3% and 4.4% (*Exhibit 44*).

**Exhibit 44.-Employment Growth Rates
Riverside, 1991-2004**



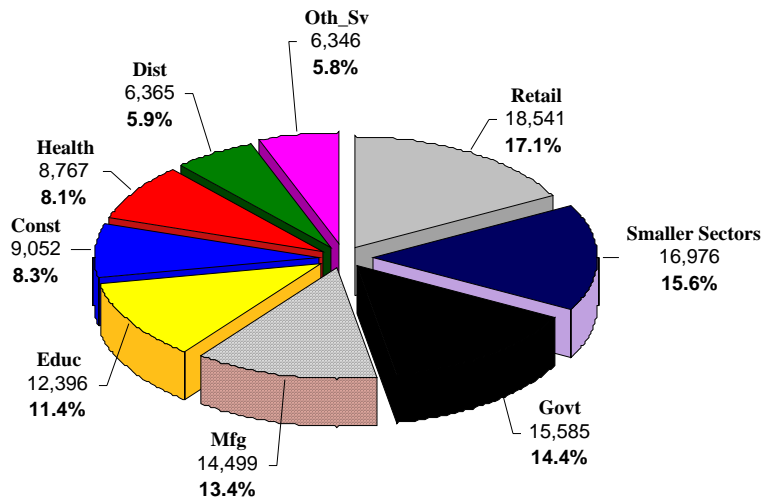
Source: CA Employment Development Department



Employment Distribution, 2004 vs. 1991 . . .

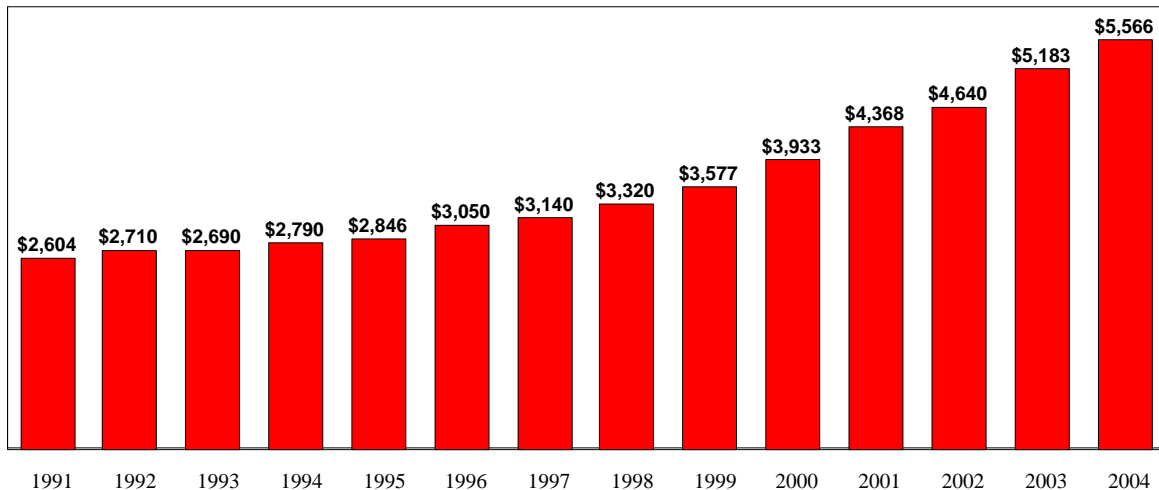
- Growing Shares.** In 2004, third ranked education was 13.5% of Riverside's jobs, up from 11.4% in 1990. Fourth ranked construction was 10.2% of the city's jobs, up from 8.3%. Fifth ranked health services was 9.2%, up from 8.1% in 1991 (*Exhibits 45-46*). Distribution reached 6.7%, up from 5.9%. The city's group of smaller sectors was 16.8%, up from 15.6% in 1991.
- Declining Shares.** Retail trade was Riverside's largest employing sector in 2004 with 16.3% of jobs, its share however was down from 17.1% in 1990. Government had the city's second largest job share at 13.5%; this was down from 14.4% in 1991. Manufacturing's share of jobs was down to 8.5% in 2004. It was 13.4% in 1991.

**Exhibit 46.-Employment Distribution By Sector
Riverside, 1991**



Source: CA Employment Development Department

**Exhibit 47.-Payroll
Riverside, 1991-2004 (millions)**



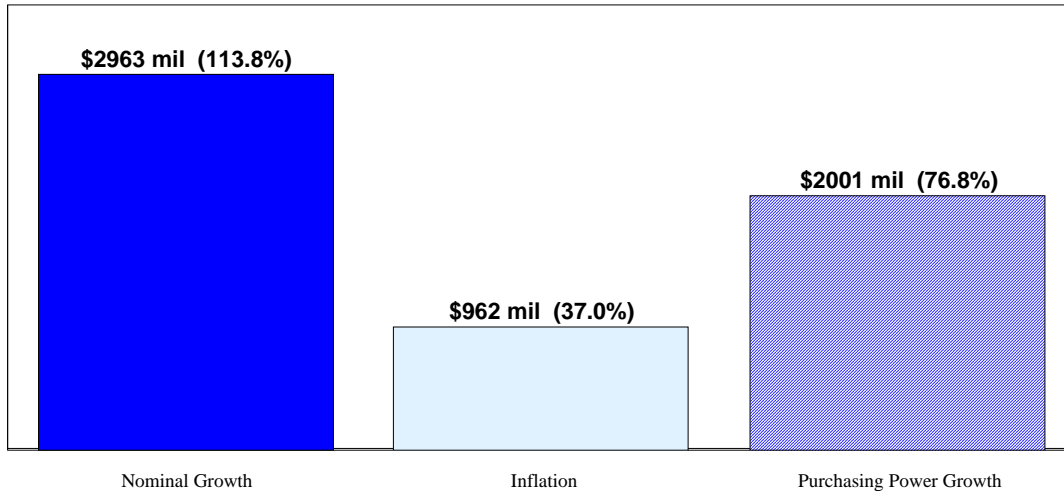
Source: CA Employment Development Department

Wage & Salary Payroll, 1991-2004 . . .

- In 1991, the payroll for firms and agencies located in Riverside was \$2.6 billion. In 2004, it was \$5.6 billion. That was a gain of \$3.0 billion or 113.8% in 13 years, a 6.0% compound annual growth rate (*Exhibit 47*).
- Payrolls surged \$384 million in 2004 alone (7.4%) as a greater share of the Inland Empire's growth reached it.
- Of the \$3.0 billion or 113.8% increase in payroll, 37.0% or \$962 million was needed to offset inflation (*Exhibit 48*). The remaining \$2.0 billion represented a *real increase in purchasing power* (76.8%).

Employment

**Exhibit 48.-Payroll Growth, Allowing For Inflation
Riverside, 1991-2004**



Source: CA Employment Development Department

Exhibit 49.-Payroll By Sector Riverside, 1991-2004

Sectors	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	%91-04
Government	\$506.0	\$548.5	\$566.4	\$561.1	\$567.1	\$586.8	\$595.8	\$586.2	\$572.3	\$659.8	\$784.7	\$889.0	\$921.6	\$983.1	94.3%
Education	\$275.8	\$293.8	\$276.4	\$308.1	\$320.9	\$348.3	\$429.9	\$465.9	\$526.8	\$586.4	\$666.9	\$704.2	\$724.8	\$764.0	177.1%
Construction	\$225.0	\$185.9	\$175.5	\$187.9	\$188.9	\$207.4	\$228.9	\$281.4	\$330.3	\$359.1	\$416.4	\$435.5	\$565.9	\$621.3	176.1%
Health Serv.	\$271.0	\$271.9	\$274.0	\$280.6	\$274.0	\$293.6	\$313.8	\$332.9	\$352.5	\$354.2	\$395.1	\$426.8	\$583.9	\$612.9	126.2%
Retail Trade	\$248.8	\$265.5	\$269.4	\$271.3	\$285.6	\$311.1	\$319.4	\$364.9	\$407.0	\$462.9	\$499.0	\$526.3	\$531.7	\$582.1	134.0%
Manufacturing	\$442.6	\$444.3	\$412.0	\$423.9	\$439.5	\$456.5	\$473.4	\$457.9	\$491.9	\$531.1	\$546.8	\$543.9	\$518.5	\$543.7	22.9%
Logistics	\$141.3	\$169.2	\$161.1	\$172.2	\$165.3	\$182.2	\$159.2	\$176.3	\$188.4	\$212.6	\$220.3	\$223.9	\$331.7	\$379.1	168.3%
Fin, Ins, REst	\$130.0	\$159.4	\$171.7	\$171.4	\$168.7	\$195.9	\$162.5	\$174.3	\$178.0	\$178.5	\$208.8	\$226.2	\$269.4	\$310.1	138.6%
Other Serv.	\$116.7	\$126.4	\$131.2	\$131.9	\$147.0	\$163.9	\$154.1	\$160.0	\$173.9	\$195.7	\$204.2	\$209.5	\$210.9	\$221.2	89.6%
Bus. Serv.	\$65.8	\$65.5	\$64.5	\$64.2	\$67.0	\$74.2	\$71.4	\$76.7	\$80.1	\$87.6	\$95.8	\$116.7	\$134.6	\$144.6	120.0%
Eng. & Mgmt	\$57.7	\$46.1	\$44.3	\$56.3	\$56.5	\$50.7	\$49.9	\$53.6	\$77.2	\$98.5	\$101.3	\$98.1	\$115.9	\$136.4	136.5%
Utilities	\$53.5	\$54.1	\$54.8	\$56.1	\$58.2	\$57.0	\$60.8	\$61.1	\$66.4	\$69.3	\$88.9	\$92.6	\$92.2	\$86.9	62.3%
Employ Agcy.	\$14.8	\$24.3	\$29.0	\$32.9	\$35.1	\$36.3	\$47.5	\$54.5	\$57.9	\$62.8	\$62.7	\$67.5	\$67.1	\$71.9	385.6%
Hotel/Amuse	\$18.0	\$18.7	\$17.2	\$26.4	\$28.2	\$34.0	\$27.3	\$28.0	\$27.2	\$29.1	\$31.6	\$31.7	\$63.8	\$60.1	233.2%
Agriculture	\$36.9	\$36.8	\$42.9	\$45.5	\$44.3	\$52.5	\$46.4	\$46.7	\$47.1	\$45.4	\$46.1	\$48.3	\$50.6	\$49.0	33.1%
TOTAL	\$2,603.6	\$2,710.3	\$2,690.3	\$2,789.9	\$2,846.3	\$3,050.2	\$3,140.3	\$3,320.5	\$3,577.1	\$3,932.9	\$4,368.5	\$4,640.1	\$5,182.5	\$5,566.4	113.8%

Source: CA Employment Development Department

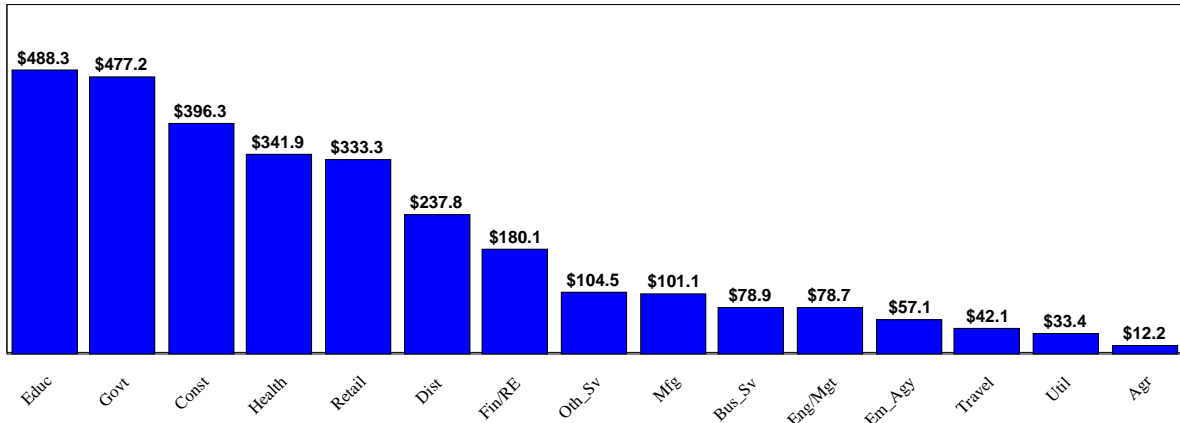
Payroll Trends By Sector, 1991-2004 . . .

- In 2004, Riverside's largest total payroll was in government (\$983 million), followed by education (\$764 million), construction (\$621 million) and health services sectors (\$613 million). In payroll growth, the engineering & management payroll was up 68.4% from 1991-2004 (Exhibit 49).
- In absolute gains, the strongest gain was in education, up \$488.3 million (16.5% share of growth) followed closely by government, up \$477.2 million (16.1% share) (Exhibit 50). Construction (\$396.3 million; 13.4% share), health (\$341.9 million; 11.5% share) and retail sectors (\$333.3 million; 11.3% share) rounded out the top five growing sectors in terms of absolute increases. The city had no net payroll losses in any sector.

Employment

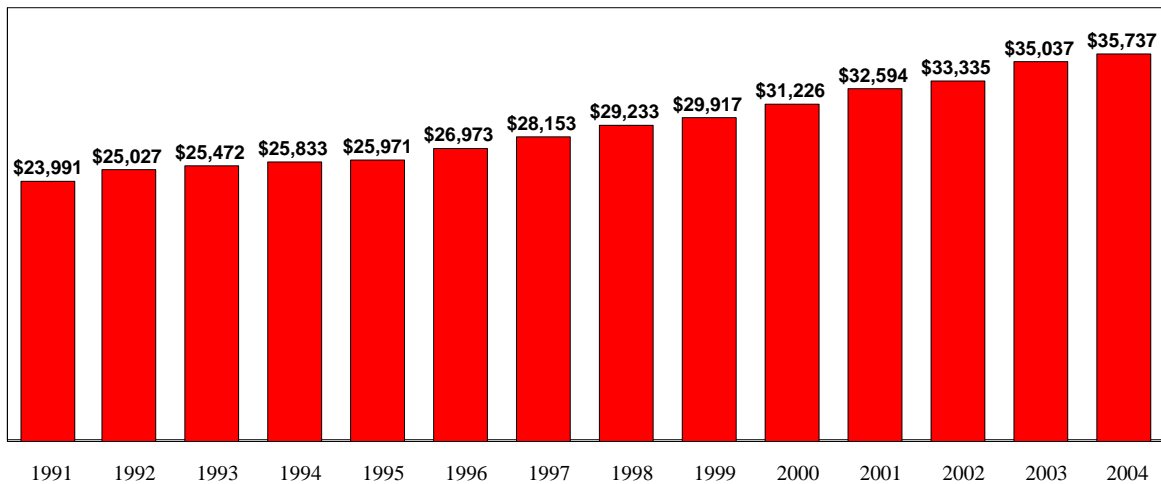
- From 2003-2004, the largest share of the \$542.4 million gain in payroll was from health care (\$62 million, 11.3% share), followed by distribution (\$55 million, 10.2% share), government (\$50 million, 9.3% share) and education (\$47 million, 8.7% share) (*Exhibit 49*).

**Exhibit 50.-Payroll Gain By Sector (million)
Riverside, 1991-2004**



Source: CA Employment Development Department

**Exhibit 51.-Payroll Per Job
Riverside, 1991-2004**



Source: CA Employment Development Department

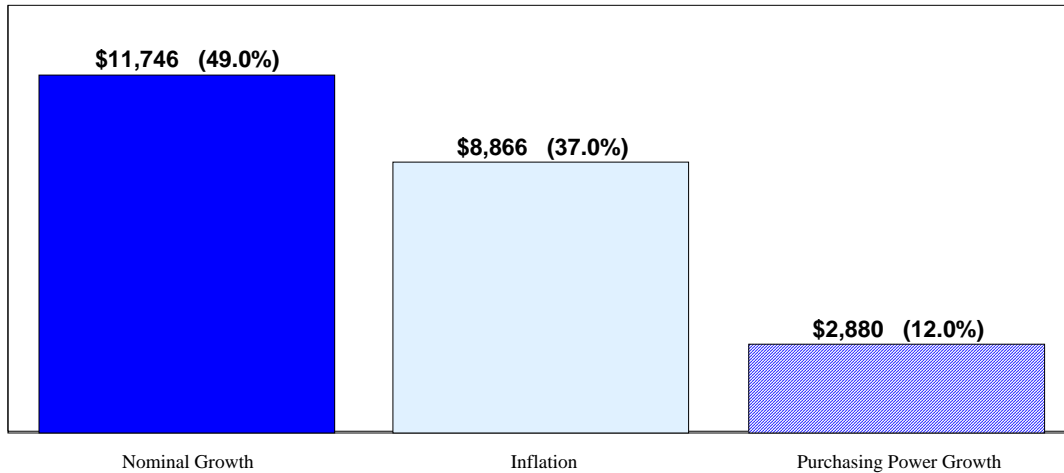
Pay Per Job, 1991-2004 . . .

- Riverside's average pay per job was \$23,991 in 1991. In 2004, this rose to \$35,737, a \$11,746 increase or 49.0%. The 2004 average was the city's \$5.6 billion payroll divided by 155,763 full and part time workers.
- Southern California prices rose 37.0% from 1991-2004. This rise in prices absorbed \$8,866 of the increase in worker pay (*Exhibit 52*).
- The \$8,866 gain in average pay thus left the typical job within Riverside paying \$2,880 more in real purchasing power, a gain of 12.0% in the standard of living it would support. (*Exhibit 52*).

Employment

- Note that average payroll per job is not average *family* income. The latter often includes income from more than one worker. Also, this figure is only for workers employed in the city, not for workers living in the city.

**Exhibit 52.-Growth In Average Pay Per Job, Allowing For Inflation
Riverside, 1991-2004**



Source: CA Employment Development Department

Exhibit 53.-Average Payroll Per Job, By Sector, Riverside, 1991-2004

Sectors	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	%91-04
Utilities	\$33,850	\$35,563	\$38,648	\$39,234	\$42,657	\$44,814	\$45,882	\$47,280	\$48,063	\$47,438	\$48,068	\$46,340	\$52,787	\$51,840	53.1%
Fin, Ins, REst	27,729	28,049	28,435	29,562	31,079	31,995	33,601	37,688	39,719	40,102	42,807	43,096	47,877	50,408	81.8%
Eng. & Mgmt	36,536	35,175	32,767	28,585	29,438	36,769	36,310	40,642	41,637	42,581	41,779	38,732	48,947	48,656	33.2%
Government	32,464	34,981	35,879	36,828	37,535	39,483	40,590	41,140	41,852	43,633	44,507	45,364	45,636	46,841	44.3%
Health Service	30,908	32,543	32,072	34,069	32,867	30,829	33,430	33,214	33,646	35,267	37,334	37,098	41,813	42,541	37.6%
Manufacturing	30,525	32,756	32,481	32,779	32,718	34,371	36,064	36,174	36,966	37,694	37,965	39,120	40,387	41,234	35.1%
Construction	24,858	26,608	26,921	26,547	28,243	29,555	31,657	32,705	33,688	35,686	36,385	37,077	38,735	38,958	56.7%
Education	22,245	23,057	25,952	26,535	26,487	27,173	28,015	30,753	31,133	32,959	33,951	35,372	35,902	36,371	63.5%
Logistics	22,197	24,770	27,019	27,503	28,442	31,315	30,541	31,844	31,297	32,361	33,851	33,862	35,770	36,256	63.3%
Other Services	18,386	18,836	18,929	18,955	18,840	20,045	21,085	22,854	23,050	25,466	25,778	25,242	26,228	27,049	47.1%
Bus. Serv.	17,767	17,770	18,077	17,726	17,866	19,984	18,464	18,092	19,499	18,352	20,630	21,724	24,476	24,440	37.6%
Agriculture	15,711	15,746	13,740	13,405	13,776	14,578	16,724	17,450	18,001	19,819	20,814	21,766	24,098	23,843	51.8%
Retail Trade	13,418	13,960	14,152	14,864	15,152	15,834	16,901	18,371	19,124	20,352	21,146	22,133	22,349	22,925	70.8%
Hotel/Amuse	10,820	12,378	11,461	11,212	11,432	13,164	12,369	12,457	12,992	14,037	14,407	14,240	18,641	19,295	78.3%
Employ Agcy.	10,452	10,283	11,572	11,491	10,619	11,067	11,951	13,288	14,469	14,014	15,298	15,861	15,759	16,034	53.4%
TOTAL	\$23,991	\$25,027	\$25,472	\$25,833	\$25,971	\$26,973	\$28,153	\$29,233	\$29,917	\$31,226	\$32,594	\$33,335	\$35,037	\$35,737	49.0%

Source: CA Employment Development Department

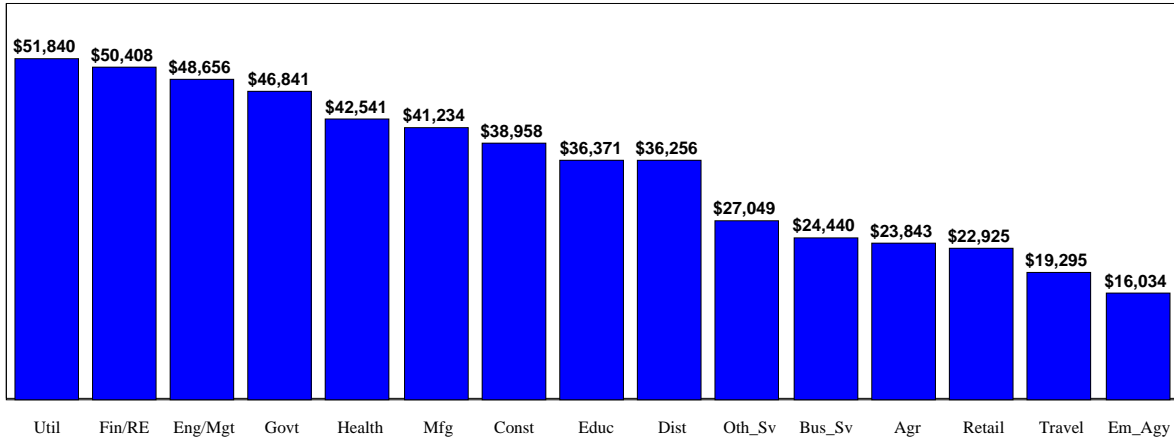
Average Pay Per Sector, 1991-2004 . . .

- In 2004, Riverside's best paying sectors were utilities (\$51,840); finance, insurance & real estate (\$50,408); engineering & management (\$48,656); government (\$46,841) and health (\$42,541). The importance of high "education content" work to the city's job mix is seen in these data (*Exhibits 53-54*). Unfortunately, of this group, only government and health are among its top five sectors in employment.
- The largest share of Riverside's jobs was in retailing in 2004, a lower paying sector at \$22,925. The next three major employing sectors paid relatively well: education (\$36,371), government (\$46,841) and construction (\$38,958).
- Note that the fast growing distribution sector (\$36,256) has seen its average pay jump 63.3% from 1991-2004. In cities with mature distribution sectors, it offers the best paying blue collar work. This is not true in River-

Employment

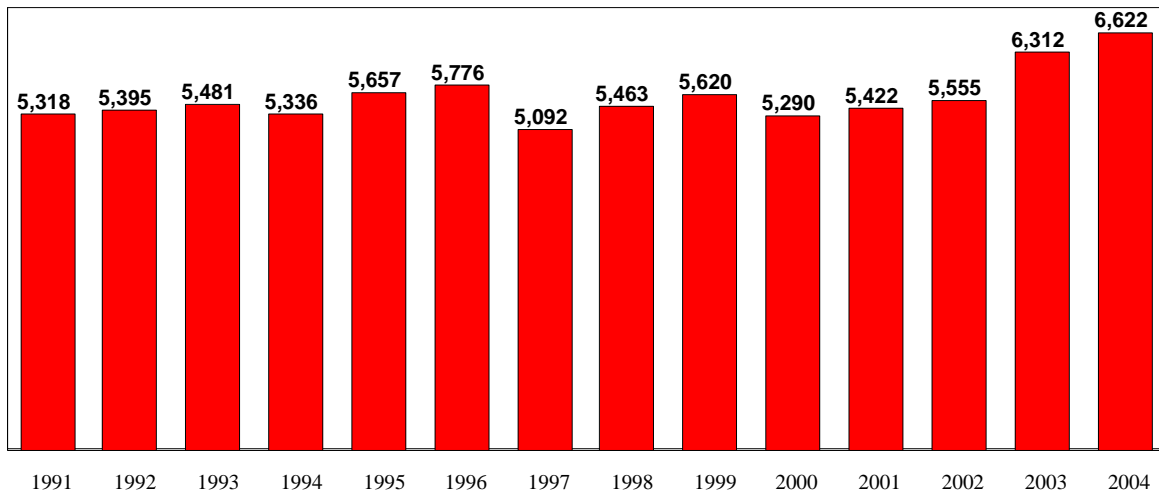
side. Construction pays a little better (\$38,958). Its pay has increased 56.7% from 1991-2004. Manufacturing pays the most (\$41,234) but has seen its average pay grow the least from 1991-2004 (35.1%).

**Exhibit 54.-Average Pay Per Job By Sector
Riverside, 2004**



Source: CA Employment Development Department

**Exhibit 55.-Number of Firms
Riverside, 1991-2004**



Source: CA Employment Development Department

Number Of Firms Per Sector, 1991-2004 . . .

- The number of firms located in Riverside has risen from 5,318 in 1991 to 6,622 in 2004. That is a gain of 1,303 companies or 24.5% (*Exhibit 55*). The surge occurring in 2003-2004 is consistent with the expansion of the Inland Empire's economy.
- The irregularity of the growth pattern is due to changes in the manner in which these data are compiled by the CA Employment Development Department. For that reason, these data are an "impression" of actual growth as they only include firms with payroll. The numerous home office and entrepreneurial firms without employees are not included.

Employment

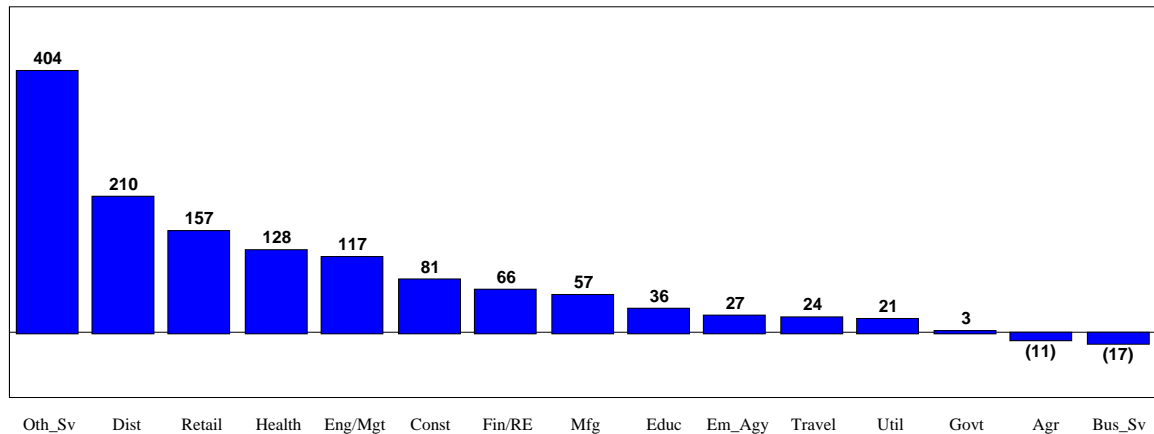
- In 2004, the largest concentration of Riverside's firms was in retail trade (1,180), other "consumer" services (1,128), construction (855) and distribution (690) (*Exhibit 56*). The first three of these is normal for a large city.

Exhibit 56.-Firms Per Sector, Riverside, 1991-2004

Sectors	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	%91-04
Retail Trade	1,023	1,056	1,055	1,014	1,088	1,108	1,035	1,105	1,126	1,060	1,060	1,057	1,125	1,180	15.4%
Other Services	724	766	827	806	865	939	810	872	898	841	872	960	1,075	1,128	55.8%
Construction	775	760	732	704	746	720	592	656	697	643	670	685	815	855	10.4%
Logistics	481	482	487	484	517	505	436	476	491	476	484	500	658	690	43.7%
Fin, Ins, REst	497	507	518	509	525	510	458	483	468	434	457	477	536	562	13.2%
Health Service	419	431	434	417	429	444	405	431	431	407	416	428	522	547	30.5%
Bus. Serv.	441	445	456	438	476	509	451	479	492	448	461	402	404	424	-3.8%
Manufacturing	359	352	352	359	382	391	339	350	364	353	349	359	397	417	16.0%
Eng. & Mgmt	197	193	211	211	218	221	182	194	214	214	228	246	299	314	59.5%
Agriculture	173	169	177	170	175	182	149	160	169	159	150	152	154	162	-6.3%
Hotel/Amuse	122	122	123	115	119	123	102	112	116	101	104	106	139	145	19.3%
Education	35	39	41	40	41	43	56	61	64	65	66	67	68	71	103.0%
Employ Agcy.	30	30	29	26	31	33	32	39	41	44	51	53	55	57	91.4%
Utilities	35	34	32	34	38	37	35	36	39	35	42	52	54	56	60.4%
Government	10	10	10	9	10	10	10	10	10	10	12	12	12	13	32.4%
TOTAL	5,318	5,395	5,481	5,336	5,657	5,776	5,092	5,463	5,620	5,290	5,422	5,555	6,312	6,622	24.5%

Source: CA Employment Development Department

**Exhibit 57.-Growth In Number of Firms By Sector
Riverside, 1991-2004**

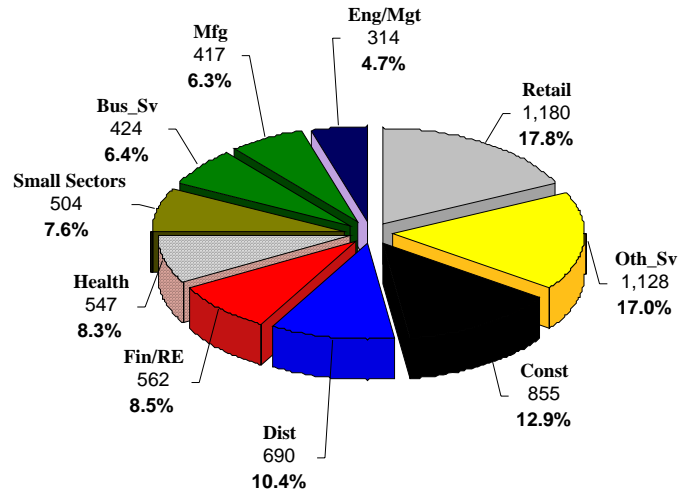


Source: CA Employment Development Department

Growth of Firms Per Sector, 1991-2004 . . .

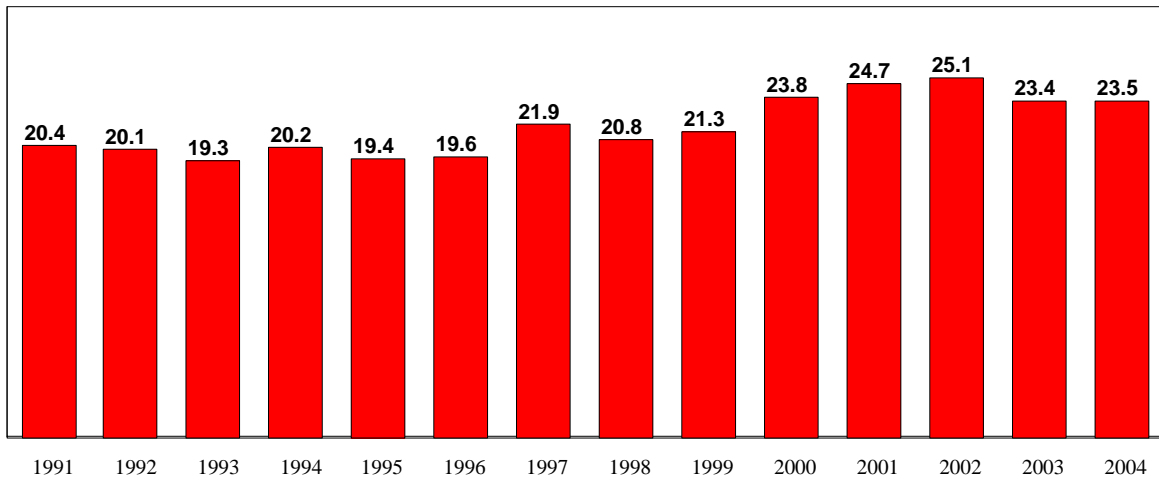
- A majority of Riverside's sectors have added firms from 1991-2004. Gains of over 50 firms in the twelve year period were made in other "consumer" services (404), distribution (210), retailing (157), health (128) and engineering and management (117). Construction (81), finance & insurance (66) and manufacturing (57) followed. Losses compared to 1991 were recorded in the two sectors: agriculture (-11) and business services (-17) (*Exhibit 57*).
- In 2004, retailing (17.8%), other "consumer" services (17.0%), construction (12.9%), and distribution (10.4%) had the largest shares of Riverside's firms (*Exhibit 58*). Of this group, only the retailing and construction sectors were in the top five in city employment (*note: "small sectors" aggregates several sectors*).

**Exhibit 58.-Distribution of Firms By Sector
Riverside, 2004**



Source: CA Employment Development Department

**Exhibit 59.-Average Jobs Per Firm
Riverside, 1991-2004**



Source: CA Employment Development Department

Employees Per Firms, 1991-2004 . . .

- Like other Inland Empire cities, Riverside's economy is largely made up of smaller firms. The average number of workers per firm has grown slightly since 1991, moving from 20.4 to 23.5 in 2004. This about average for the inland region (*Exhibit 59*).
- Only three sectors of Riverside's economy averaged over 50 workers: government (1,668.2), education (295.7), and employment agencies (78.0). The government sector is abnormally high as the city is a major regional seat of government (*Exhibit 60*).

Employment

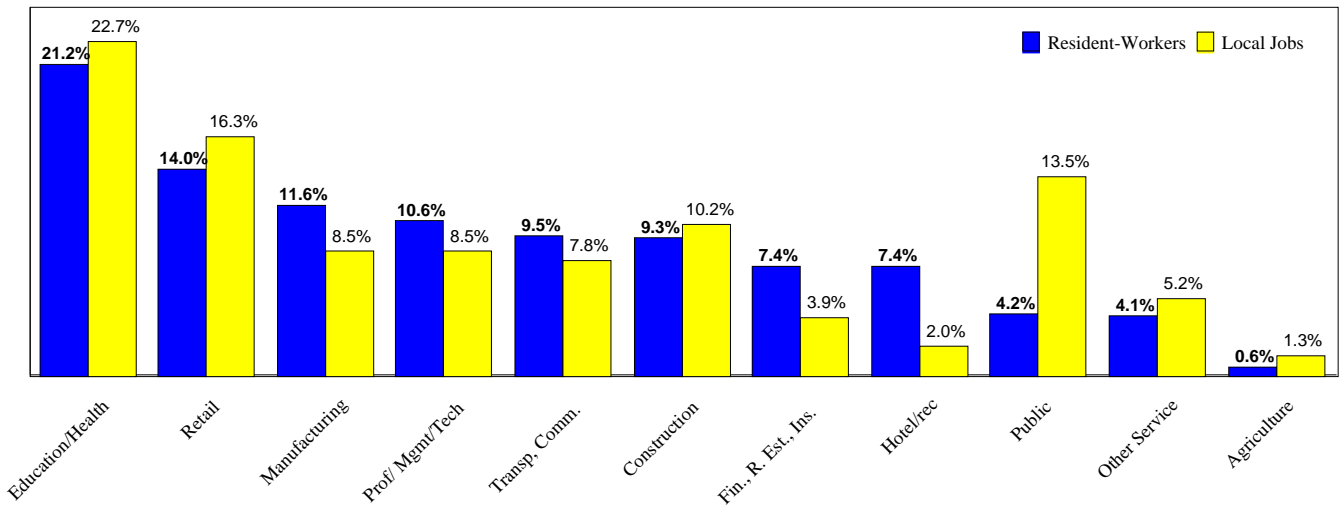
- Of the other sectors, the largest average number of workers was in manufacturing (31.6), utilities (29.8) and health (26.3). All other sectors averaged less than 25 workers. Interestingly, Riverside's distribution sector is very small by regional standards, averaging just 15.1 workers compared to 27.6 in Ontario.

Exhibit 60.-Average Jobs Per Firm, By Sector, Riverside, 1991-2004

Sectors	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	%91-04
Government	1640.6	1568.0	1540.2	1741.2	1510.8	1524.4	1505.5	1425.0	1334.1	1475.2	1500.4	1633.1	1682.8	1668.2	1.7%
Education	354.2	331.0	263.0	288.5	299.1	297.9	275.3	250.4	265.4	273.7	297.6	297.1	298.0	295.7	-16.5%
Employ Agcy.	47.2	80.0	88.0	111.1	107.4	99.8	123.2	104.4	96.9	101.3	80.0	79.9	77.7	78.0	65.4%
Manufacturing	40.4	38.5	36.1	36.1	35.2	33.9	38.7	36.2	36.5	39.9	41.2	38.8	32.3	31.6	-21.6%
Utilities	45.2	44.8	44.0	42.1	36.1	34.1	37.6	35.6	35.2	41.4	44.0	38.6	32.7	29.8	-33.9%
Health Service	20.9	19.4	19.7	19.7	19.4	21.4	23.2	23.3	24.3	24.7	25.5	26.9	26.8	26.3	25.9%
Retail Trade	18.1	18.0	18.0	18.0	17.3	17.7	18.3	18.0	18.9	21.5	22.3	22.5	21.2	21.5	18.7%
Hotel/Amuse	13.7	12.4	12.2	20.4	20.7	21.1	21.6	20.1	18.0	20.5	21.2	21.1	24.7	21.4	56.6%
Construction	11.7	9.2	8.9	10.1	9.0	9.7	12.2	13.1	14.1	15.7	17.1	17.1	17.9	18.7	59.6%
Logistics	13.2	14.2	12.2	13.0	11.2	11.5	12.0	11.6	12.3	13.8	13.4	13.2	14.1	15.1	14.3%
Bus. Serv.	8.4	8.3	7.8	8.3	7.9	7.3	8.6	8.8	8.4	10.7	10.1	13.4	13.6	14.0	66.2%
Agriculture	13.6	13.8	17.7	19.9	18.4	19.7	18.7	16.8	15.5	14.5	14.7	14.6	13.6	12.7	-6.4%
Fin. Ins, REst	9.4	11.2	11.7	11.4	10.4	12.0	10.6	9.6	9.6	10.3	10.7	11.0	10.5	10.9	15.9%
Eng. & Mgmt	8.0	6.8	6.4	9.3	8.8	6.2	7.5	6.8	8.7	10.8	10.6	10.3	7.9	8.9	11.4%
Other Services	8.8	8.8	8.4	8.6	9.0	8.7	9.0	8.0	8.4	9.1	9.1	8.6	7.5	7.3	-17.3%
TOTAL	20.4	20.1	19.3	20.2	19.4	19.6	21.9	20.8	21.3	23.8	24.7	25.1	23.4	23.5	15.3%

Source: CA Employment Development Department

**Exhibit 61.-Resident Sector vs. Local Jobs, By Sector
Riverside, 2004**

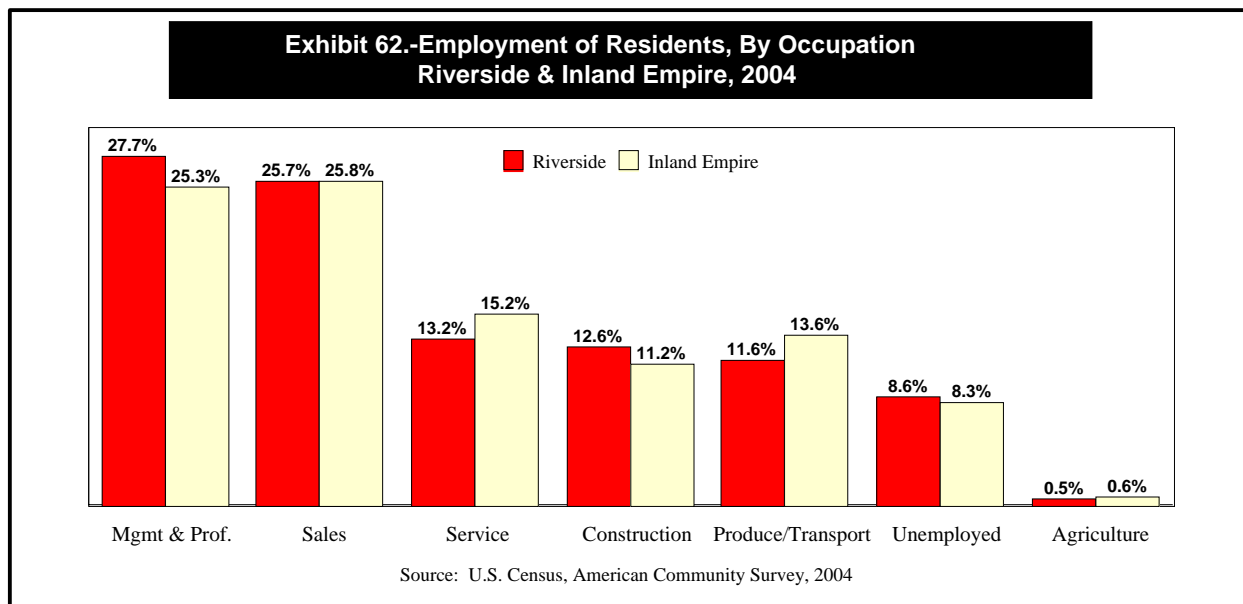


Source: U.S. Census, American Community Survey, 2004

Match Between Local Residents & Jobs, 2004 ...

- A comparison of U.S. Census American Community Survey data on the sectors in which Riverside's residents worked (*locally or as commuters*) versus EDD's data on the local jobs available shows the balance between jobs needed and jobs available. For the top sectors: education (21.2% worked; 22.7% local jobs), retailing (14.0% worked, 16.3% local jobs), manufacturing (11.6% worked; 8.5% local jobs), professionals (10.6% worked; 8.5% local jobs), transportation & communications (9.5% worked; 7.8% local jobs) and construction (9.3% worked; 10.2% local jobs) (Exhibit 61).

- In 2004, the American Community Survey found that 27.7% of Riverside's residents worked as managers and professions. This was above the 25.3% for the Inland Empire (*Exhibit 62*). The same was true in construction (12.6%) versus the region's average (11.2%). On the other hand, just 13.2% of city workers had service jobs versus the region's 15.2%. That was also true of production and transportation (11.6% v. 13.6%).



RIVERSIDE

SECTION 5

TAXABLE RETAIL TRADE

Riverside's population, central location, successful auto mall and its several retail centers including regional Tyler Mall have combined to make it one of the taxable retail sales leaders of the Inland Empire and suburban Southern California. This strength has grown with the opening of home improvement power centers plus the renovation and restoration of Riverside Plaza in the city's Magnolia Center. Soon, the opening of Canyon Crossings at the I-215, SR-60 junction will add to this success. The only missing element in the city's retail strength is direct sales from non-store outlets like distribution facilities.

These are important facts because under California law, much of the discretionary budget of municipalities is based upon the retail sales tax. Growth in this source of funds is what makes it possible for communities to increase their fire, police, senior, recreation and other programs aimed at serving their residents.

Total Retail Volume. In 2004, Riverside's sales reached an all time high at \$4.60 billion. From 2000-2004, sales were up a strong 42.9% while prices only rose 12.9% (*Exhibit 63*). In 2004, the city's growth rate was a powerful 15.9%. For Riverside, this pattern is a return to form. Earlier in the 1990's, the city's retail volume had been flat due to the post-Cold War recession in Southern California. It started to increase in 1996 and surpassed the \$3.0 billion in 2000.

Riverside's retail sales growth has generally been slower than that of Riverside County. This has been true because the county's most aggressive population growth has been located in other communities. However, in 2002, the city's rate was 7.4% versus the county's 7.0%. In 2003, this reversed with the county leading 11.3% to 8.6%. In 2004, the city's growth of 15.9% exceeded the county's 15.1% (*Exhibit 64*). Both Riverside city and county are seeing rapidly rising retail trade because the county has had the second largest absolute increase in population in California after Los Angeles County. At the same time, family incomes have been rising with the increasingly upscale nature of the housing stock. In addition, the Inland Empire has led California in absolute job growth for the past three years.

In 2003, the latest comparable data showed that Riverside's \$3.97 billion in retail volume ranked 4th among Southern California's major suburban retail centers (*omitting the central cities of Los Angeles & San Diego*). In the Inland Empire, it ranked second to Ontario (\$3.99 billion). The difference between these two inland cities was the greater volume of non-store sales from Ontario's large industrial complex. In 2003, San Bernardino (\$2.8 billion), Corona (\$2.5 billion) and Temecula (\$2.1 billion) were the other inland cities with sales over \$2.0 billion (*Exhibit 65*).

Per Capita Retail Sales. Given the importance of the retail sales tax to municipal finance, taxable retail sales *per capita* is a good barometer of a city's ability to provide services to its population. Here, Riverside fares moderately well. Its 2004 per capita sales were \$16,215. This was \$2,653 or 19.6% higher than Riverside County's \$13,561.

Though Riverside is the Inland Empire's retail sales leader, its 2004 per capita sales of \$16,215 ranked 17th of the region's 48 cities. Among *major* inland population centers, two smaller cities with large malls had the highest per capita sales: Temecula (\$30,803) and Palm Desert

(\$29,947). They were followed by Ontario (\$27,152) due to its heavy non-store sales, Victorville (\$21,402), Corona (\$20,065), San Bernardino (\$16,216) and Riverside (\$16,215) (*Exhibits 67-68*).

Sectors Causing Taxable Sales Growth. From 1990-2004, Riverside's retail trade has more than doubled, growing \$2.4 billion or 106.8% (*Exhibits 69-70*). The largest share of this gain were from vehicle sales (*up \$726 million, 30.6% share*) and non-retail outlets (*up \$454 million, 19.1%*). The latter group includes professional & service firms, construction contractors, and manufacturers & distributors selling directly to the public. The next largest share of the gain was \$312 million from sales by general merchandise stores (*13.2% share*). From 2003-2004 alone, the top three gains were non-retail (*23.6% share*), automotive (*21.8% share*) and general merchandise (*14.6% share*).

Distribution of Trade. Riverside has seen changes in the importance of its retail sectors. The vehicle sector's large \$589 million gain in sales took its share from 17.9% in 1990 to a leading 24.4% in 2004 (*\$1.1 million*). Despite a \$453 million gain non-retail store outlets, the group's sales fell from a leading 20.6% of sales in 1990 to a second place 19.8% in 2004 (*\$912 million*) because other sectors grew faster (*Exhibits 71-72*). General merchandise stores gained \$312 million in sales but fell from a 14.1% share in 1990 down to 13.6% in 2004 (*\$628 million*). These major retail outlets remained the city's third largest sector. In 1990, "other" retail stores that largely fill-in around anchor stores made up 10.6% of Riverside's sales. Their \$261 million sales gain took their share to 10.8%. They remained the city's fourth largest sector (*\$497 million*).

Retail Gaps. Retail outlets in Riverside generally outperformed those in the Inland Empire. The city's average *retail store* had sales of \$969,681. That was more than the countywide averages for outlets in Riverside (\$891,256) or San Bernardino (\$812,376) (*Exhibit 74*). However, when the city's non-retail group is included, the city's average sales per outlet of \$577,336 was a little below the average for Riverside County (\$583,430). Meanwhile, in four of ten retail sectors, the city's average sales per outlets were above Riverside County (*Exhibit 75*). Those with the largest average sales advantages were building materials (*\$1.5 million higher*), automotive (*\$684,633 higher*) and general merchandise (\$255,275) (*Exhibit 73*). Those with the greatest average underperformance were service stations (*\$404,110 lower*) and food outlets (*\$250,431 lower*).

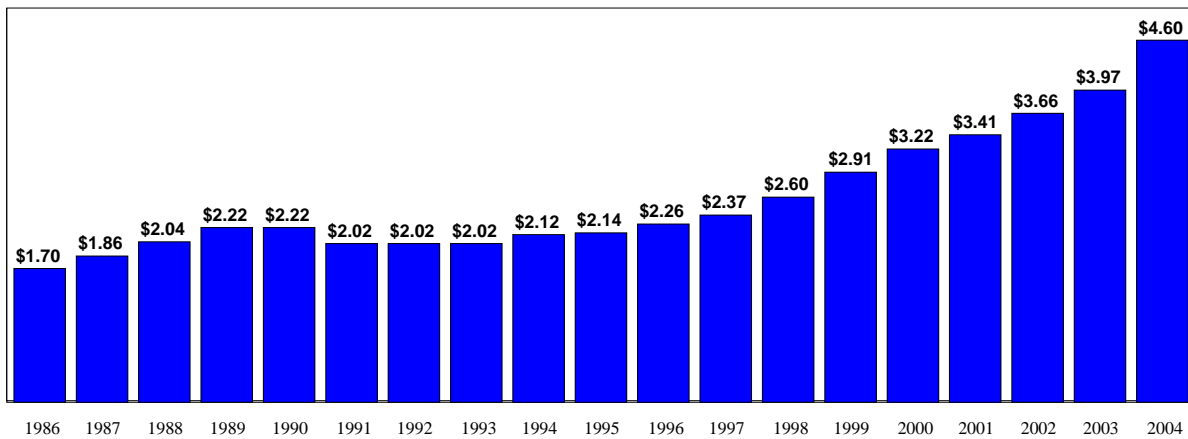
Finally, Riverside's 2004 per capita taxable sales average of \$16,215 was \$2,448 above the averages for Riverside (\$13,766) and San Bernardino (\$13,671) counties, after the latter had been adjusted downward for the fact that the counties had higher median income levels than the city (*Exhibit 75*). A downward adjustment of 2.6% was made to Riverside County per capita sales, as this was the amount by which its median income and purchasing power were below those of the average Riverside resident. The downward adjustment was 0.8% for San Bernardino County.

Riverside's strongest sectors gave it wide per capita sales advantages over the county: automotive (\$1,629), general merchandise (\$519) building materials (\$334) (*Exhibit 76*). In these sectors, it was capturing a lot of sales from nearby cities. All other sectors but furniture (-\$66), food stores (-\$43) and service stations (-\$34) showed an in-flow of sales. The non-retail sector (-\$415) was the weakest, again highlighting that the city has abnormally low non-store taxable

sales by its manufacturers, distributors and contractors. In cities that have large new industrial facilities, the non-retail sector has become the major source of retail tax growth.

Taxable Retail Trade

**Exhibit 63.-Total Taxable Sales (billion)
Riverside, 1986-2004**

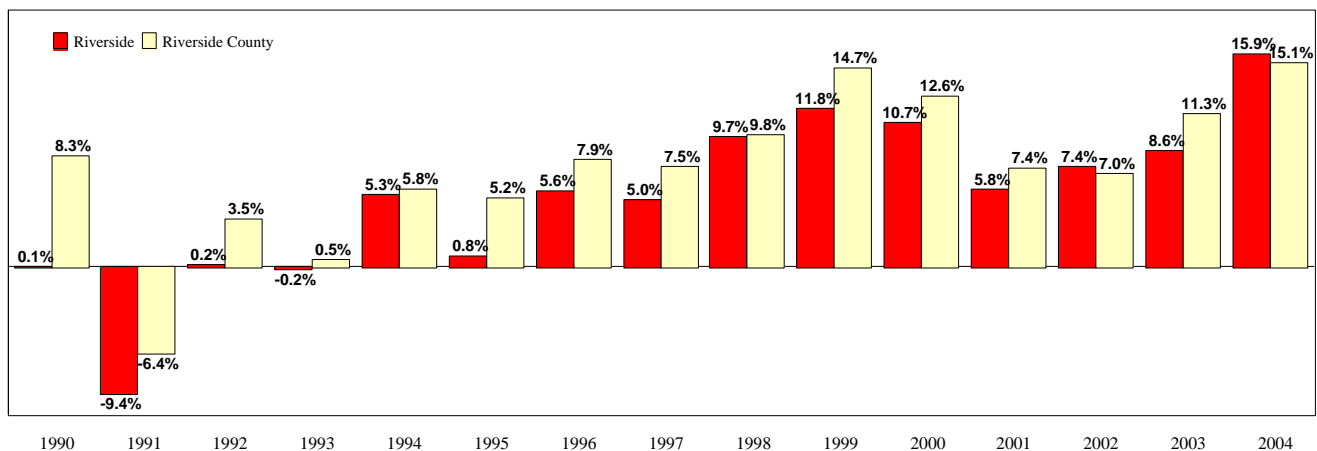


Source: CA Board of Equalization

Total Taxable Retail Sales . . .

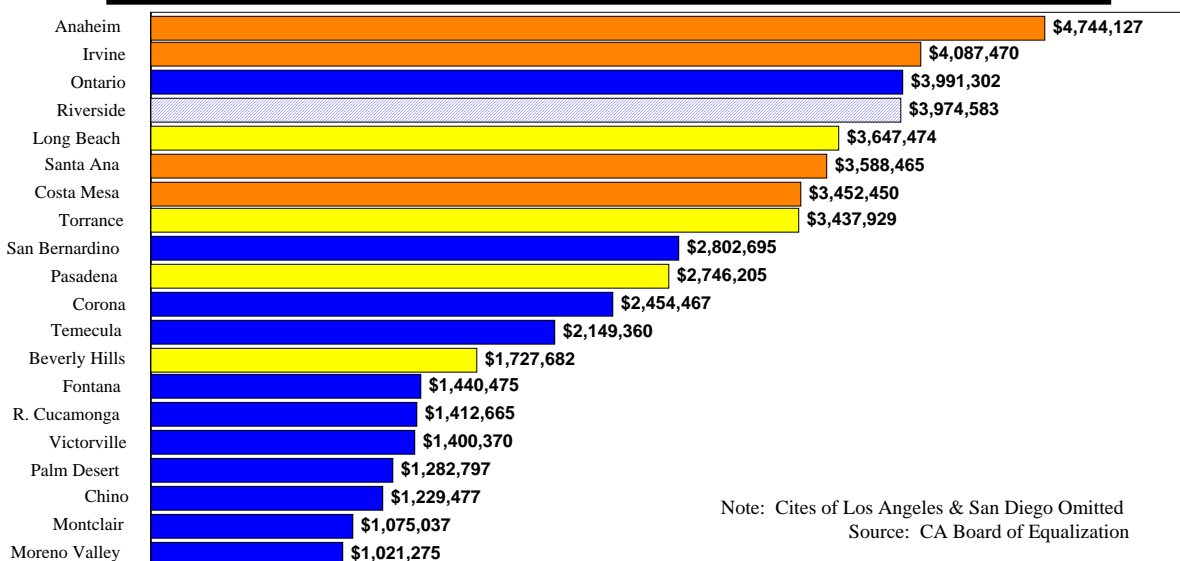
- In 2004, Riverside's taxable retail sales reached an estimated \$4.60 billion, another all time record. During Southern California's severe recession in the early 1990s, the city saw its taxable sales drop from \$2.22 billion in 1990 to a plateau at \$2.02 billion from 1991-1993. Sales have since been growing at a rapid rate reaching an estimated \$4.60 billion in 2004 (*Exhibit 63*). In 2004, they were up \$625 million, 15.9% from 2003.
- Riverside's retail sales growth has generally been slower than that of fast growing Riverside County during the past decade. In 2002, however, the city's growth exceeded the county's increase 7.4% to 7.0%. This was reversed in 2003, with the city falling below the county 8.6% to 11.3%. In 2004, the relationship was reserved again with the city's growth exceeding the county again 15.9% to 15.1% (*Exhibit 64*). These are remarkable sales growth rates, given the sheer size of the city's retail volume. California's sales were up 9.0% in first quarter 2004.

**Exhibit 64.-Total Taxable Sales Growth
Riverside & Riverside County, 1990-2004**



Source: CA Board of Equalization

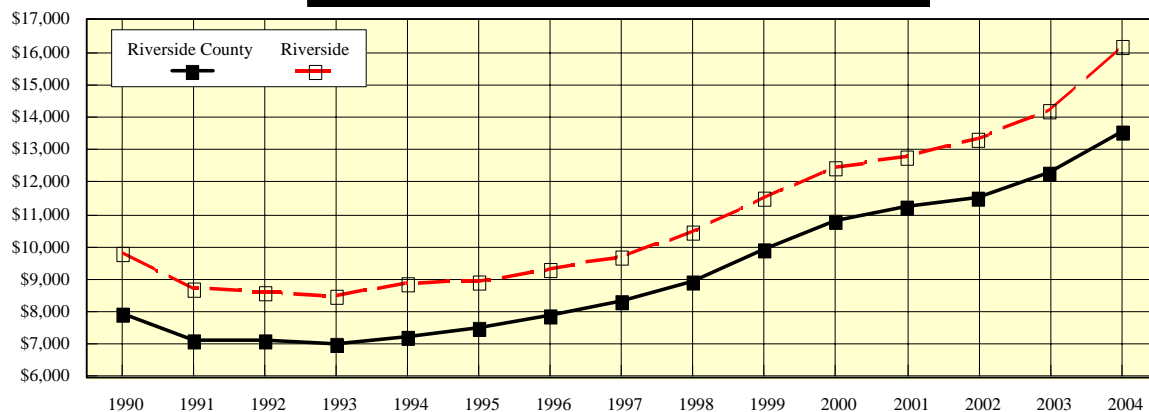
**Exhibit 65.-Total Taxable Sales (000)
Inland Empire & Major So. California Suburban Retail Centers, 2003**



Retail Sales Compared . . .

- In 2003, the most recent comparable data showed that Riverside's sales of \$3.97 billion ranked 4th among Southern California's major suburban retail centers (*omitting only the central cities of Los Angeles & San Diego*). In the Inland Empire, the city's sales ranked second to those of Ontario (\$3.99 billion). The strength of both cities demonstrates the retail power inherent in the rising population and income of the Inland Empire (*Exhibit 65*).
- In 1989, Riverside's per capita taxable sales peaked at \$10,145. This fell to \$8,505 in 1993 during the recession, a loss of \$1,640 or -16.2%. Since then, the city's sales per person have grown each year reaching a record \$16,215 in 2004.
- Riverside County's per capita sales underwent a similar pattern, ending at \$13,561 in 2004. This means that the city's per capita sales of \$16,215 were \$2,653 or 19.6% higher than the county (*Exhibit 66*).

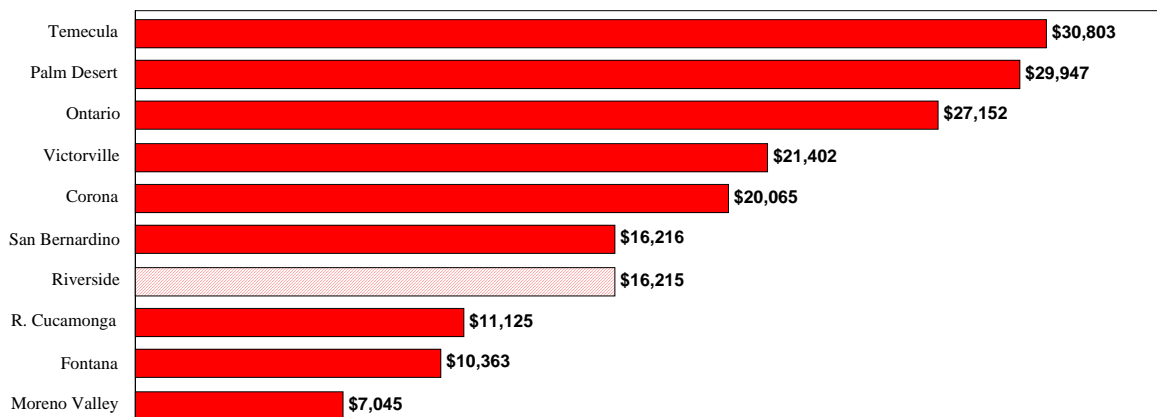
**Exhibit 66.-Taxable Sales Per Capita
Riverside & Riverside County, 1990-2004**



Source: CA Board of Equalization

Taxable Retail Trade

**Exhibit 67.-Taxable Sales Per Capita
Inland Empire's Major Retail Centers, 2004**



Source: CA Board of Equalization

Taxable Retail Sales Per Capita . . .

- Given the importance of retail sales to city finances, sales *per capita* are a key measure of a municipality's ability to provide services to its population. They give an estimate of the purchasing power per resident that this tax supplies to the city.
- Among the Inland Empire's 10 major population hubs, Riverside's 2004 per capita retail sales of \$16,215 essentially tied for sixth with San Bernardino (\$16,216) (*Exhibit 67*). Of this group, the highest per capita sales were in Temecula (\$30,803) near San Diego County, Palm Desert (\$29,947) in the Coachella Valley, Ontario (\$27,152) in west San Bernardino County, Victorville (\$21,402) in the High Desert and Corona (\$20,065) near Orange County.
- From 2000-2004, Riverside's per capita sales rose 30.3% from \$12,445 to \$16,215. That was the second fastest growth after Corona (47.6%) among cities of over 100,000 people (*Exhibit 68*). Temecula (30.5%) was just faster. It was included to show the influence of population coming from San Diego County. Fontana (29.0%) was the next slowest. Its sales are growing due to its very rapidly growing population.

Exhibit 68.-Taxable Sales Per Capita, Inland Empire Cities Of 100,000, 1990-2004

Year	Temecula	Ontario	Corona	San Bernardino	Riverside	Fontana	R. Cucamonga	Moreno Valley
1990	NA	\$9,383	\$10,110	\$11,353	\$9,799	\$6,703	\$4,616	\$3,324
1991	\$14,457	\$9,831	\$8,973	\$10,540	\$8,748	\$6,445	\$4,939	\$3,376
1992	\$15,592	\$10,655	\$8,622	\$9,857	\$8,600	\$6,501	\$5,213	\$3,828
1993	\$15,059	\$10,553	\$8,787	\$9,325	\$8,505	\$6,209	\$5,618	\$4,186
1994	\$14,879	\$11,893	\$9,538	\$9,612	\$8,907	\$6,346	\$6,030	\$4,342
1995	\$15,243	\$12,000	\$10,090	\$9,714	\$8,928	\$6,692	\$6,669	\$4,452
1996	\$16,765	\$12,973	\$10,427	\$9,917	\$9,344	\$6,833	\$7,069	\$4,382
1997	\$17,488	\$15,351	\$10,832	\$10,056	\$9,691	\$6,342	\$7,629	\$4,431
1998	\$18,364	\$16,828	\$11,125	\$10,719	\$10,481	\$6,977	\$8,219	\$4,648
1999	\$20,547	\$18,595	\$12,347	\$11,706	\$11,515	\$7,438	\$8,874	\$4,981
2000	\$23,612	\$21,276	\$13,595	\$12,595	\$12,445	\$8,032	\$8,965	\$5,504
2001	\$24,027	\$22,365	\$15,539	\$12,753	\$12,778	\$8,262	\$8,954	\$5,654
2002	\$24,899	\$22,116	\$15,985	\$13,443	\$13,348	\$8,758	\$9,048	\$5,914
2003	\$27,763	\$23,789	\$17,342	\$14,278	\$14,212	\$9,529	\$9,319	\$6,594
2004	\$30,803	\$27,152	\$20,065	\$16,216	\$16,215	\$10,363	\$11,125	\$7,045
2000-2004	30.5%	27.6%	47.6%	28.8%	30.3%	29.0%	24.1%	28.0%
2000-4 Pop.	80,119	169,667	144,172	198,630	283,674	157,882	158,777	161,597

Source: CA Board of Equalization; CA Department of Finance

**Exhibit 69.-Taxable Sales By Retail Sector
Riverside, 1990-2004 (\$000)**

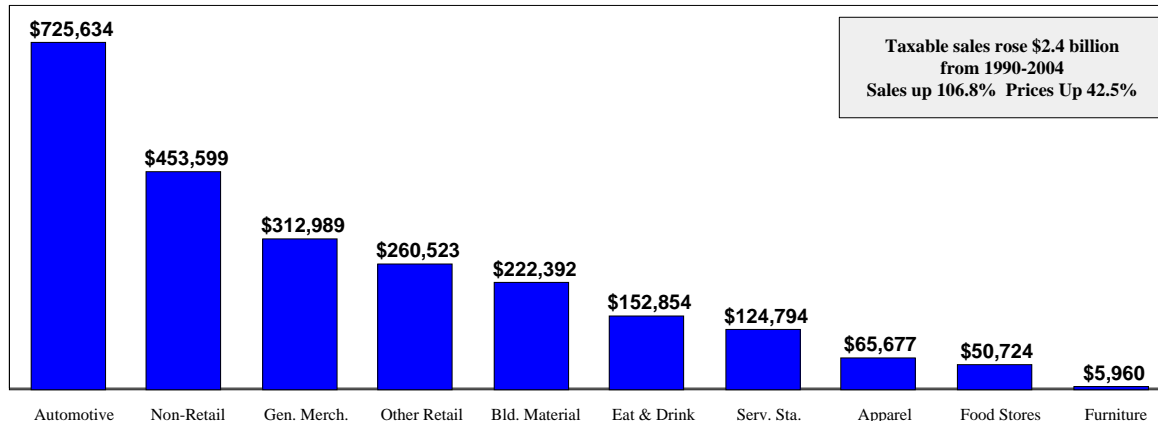
Sector	1990	1995	1996	1997	1998	1999	2000	2001	2002	2004	2005
Apparel	\$74,336	\$70,313	\$68,031	\$67,783	\$68,851	\$78,605	\$92,241	\$98,859	\$105,476	\$124,223	140,013
Gen. Merch..	314,760	366,897	376,900	392,005	411,743	438,137	465,490	485,571	510,038	536,795	627,749
Food	118,372	109,631	118,893	124,750	121,359	125,986	133,363	134,502	136,076	145,308	169,096
Eat & Drink	168,597	174,740	176,177	183,560	196,734	209,049	223,253	239,811	257,711	276,757	321,451
Furniture	100,821	89,699	81,416	66,526	65,720	74,817	77,552	75,754	81,844	93,977	106,781
Bldg Materials	227,512	149,168	161,239	201,844	253,925	275,433	290,734	326,627	346,277	395,175	449,904
Automotive	398,183	389,930	422,746	428,380	505,421	580,804	698,147	780,641	864,486	987,372	1,123,817
Gas Station	127,718	127,178	141,216	139,748	129,197	151,413	200,155	199,159	192,914	222,575	252,512
Other Retail	235,851	233,237	252,190	269,798	285,618	313,917	341,252	351,055	396,808	427,978	496,374
Total Retail	1,766,150	1,710,793	1,798,808	1,874,394	2,038,568	2,248,161	2,522,187	2,691,979	2,891,630	3,210,160	3,687,696
Non-Retail	458,337	429,657	461,158	497,539	563,407	661,371	697,707	715,273	769,277	764,423	911,936
Total Outlets	2,224,487	2,140,450	2,259,966	2,371,933	2,601,975	2,909,532	3,219,894	3,407,252	3,660,907	3,974,583	4,599,632

Source: CA Board of Equalization

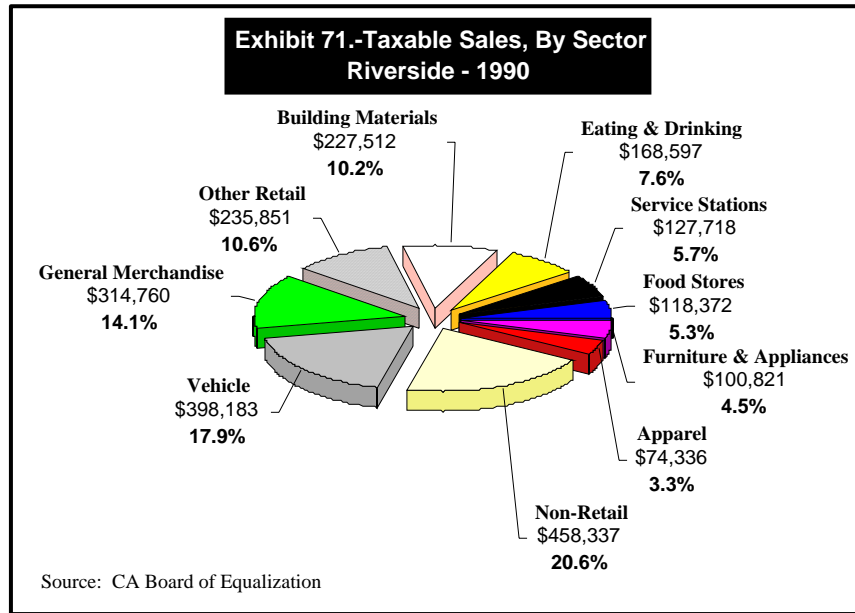
Retail Sales Growth By Sector, 1990-2004 . . .

- In the period of 1990-2005, Riverside's taxable sales grew by \$2.4 billion (106.8%), from \$2.22 billion to a record \$4.59 billion (*Exhibits 69-70*). The increase in prices during this period was only 42.5% indicating that the underlying physical volume of goods traded also grew substantially.
- From 1990-2004, \$726 million of Riverside's \$2.4 billion retail sales growth (30.6% share) occurred in the automotive sector (*Exhibit 70*). The sector ranked second in 2003-2004 growth with 21.8% of the city's gain. Since 1990, the non-retail group grew \$454 million (19.1% share). These include taxable sales by professionals & service firms, construction contractors, and industrial & distribution firms selling directly to the public. The group ranked first with 23.6% of the city's growth from 2003-2004. General merchandise outlets were ranked third at \$312 million of the city's sales growth (13.2% share) from 1990-2004. The sector also ranked third with a 14.6% share of growth from 2003-2004.
- From 1990-2004, Riverside's other major growing retail sectors included other "consumer" outlets (\$261 million), building materials (\$222 million), eat & drinking outlets (\$153 million) and service stations (\$125 million).

**Exhibit 70.-Taxable Sales Growth By Sector (000)
Riverside, 1990-2004**

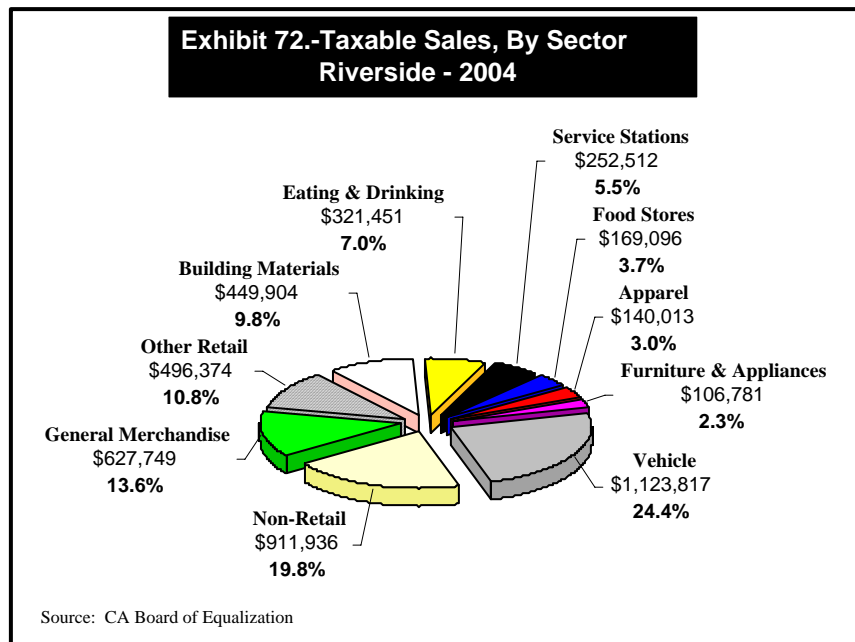


Source: CA Board of Equalization



Share of Retail Sales . . . Then (1990) & Now (2004)

- The automotive sector's large \$589 million gain in sales caused its share to rise from 17.9% in 1990 to a leading 24.4% in 2004 (\$1.1 billion). Though there was a \$453 million increase in sales by Riverside's non-retail store outlets the group fell from a leading 20.6% of sales in 1990 to a second place 19.8% in 2004 (\$912 million) (Exhibits 71-72). This occurred as other sectors grew faster.
- General merchandise stores had a \$312 million growth in sales. However, the sector fell from a 14.1% share of sales in 1990 to 13.6% in 2004 (\$628 million). These major retail outlets remained the city's third largest retail sector.
- In 1990, "other" retail stores that largely fill-in around anchor stores made up 10.6% of Riverside's sales. With their \$261 million gain in sales, the group's share rose slightly to 10.8% and it stayed the fourth largest (\$497 million).



Taxable Retail Trade

**Exhibit 73.-Average Taxable Sales Per Outlet, By Sector
Riverside, Riverside & San Bernardino Counties, 2004**

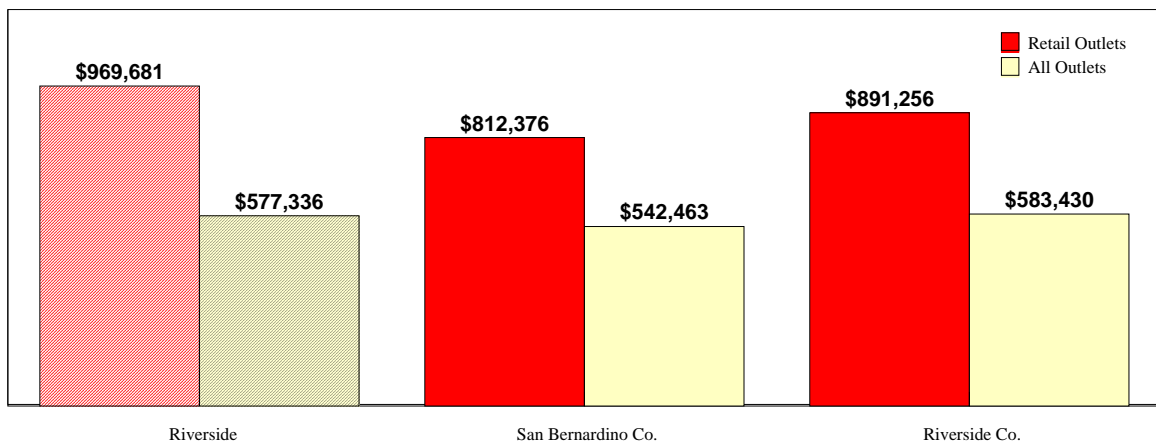
Sector	Riverside	San Bernardino County		Riverside County	
	Per Outlet	Per Outlet	City Less San Bdn Co.	Per Outlet	City Less Riv. Co.
Apparel	\$414,240	\$350,841	\$63,399	\$459,231	(44,992)
General Merchandise	\$4,684,691	\$3,099,757	1,584,934	\$4,429,417	255,275
Food Stores	\$1,006,522	\$1,064,056	(57,534)	\$1,256,954	(250,431)
Eating & Drinking	\$538,444	\$547,428	(8,984)	\$606,958	(68,514)
Furniture & Appliances	\$389,711	\$407,032	(17,321)	\$483,799	(94,088)
Blding Materials & Farm	\$5,055,096	\$3,250,331	1,804,765	\$3,571,504	1,483,593
Auto Dealers & Supplies	\$3,601,979	\$2,137,212	1,464,767	\$2,917,345	684,633
Service Stations	\$3,607,313	\$3,763,131	(155,818)	\$4,011,423	(404,110)
Other Retail	\$272,583	\$285,583	(13,000)	\$243,540	29,043
Total Retail	\$969,681	\$812,376	\$157,305	\$891,256	\$78,425
Non-Retail	\$219,005	\$306,825	(87,820)	\$233,235	(14,230)
Total All Outlets	\$577,336	\$542,463	\$34,873	\$583,430	(\$6,095)

Source: CA Board of Equalization, Economic & Politics, Inc.

Retail Sales Per Outlet . . .

- Riverside's average sales per outlet exceeded those of Riverside County in 4 of 10 sectors: general merchandise, building materials, automotive and "other" retail outlets. In these sectors, the typical city outlet had average sales above outlets in the county as a whole.
- The stores with the largest average sales advantage were in the building materials (\$1.5 million higher), automotive (\$684,633 higher) and general merchandise (\$255,275 higher) sectors (Exhibit 73). Those with the greatest average underperformance were service stations (\$404,110 lower) and food (\$250,431 lower).
- Overall, Riverside's 2004 sales per retail outlet averaged \$969,681. This was \$78,425 per store above the averages for Riverside County's outlets (\$891,256) and \$157,305 above San Bernardino County's (\$812,376) outlet (Exhibit 74). Riverside's average sales for all outlets including non-retail stores were \$577,336. This was \$6,095 below the overall average for all outlets in Riverside County (\$583,430) due to the weakness in the non-retail store sector.

**Exhibit 74.-Total Taxable Sales Per Outlet
Riverside & San Bernardino-Riverside Counties, 2004**



Source: CA Board of Equalization

Exhibit 75.-Taxable Sales Per Capita (income adjusted) Riverside and Riverside & San Bernardino Counties, 2004

	Riverside	San Bernardino County ²		Riverside County ¹	
Sector	Sales Per Capita	Sales Per Capita	River-SB Co.	Sales Per Capita	River-RV Co.
Apparel	\$494	\$369	\$125	\$453	\$41
General Merchandise	\$2,213	1,525	688	1,694	519
Food Stores	\$596	586	10	639	(43)
Eating & Drinking	\$1,133	1,002	131	1,080	53
Furniture & Appliances	\$376	308	68	442	(66)
Building Materials & Farm	\$1,586	995	591	1,252	334
Auto Dealers & Supplies	\$3,962	2,192	1,769	2,332	1,629
Service Stations	\$890	1,004	(114)	924	(34)
Other Retail	\$1,750	1,561	189	1,320	429
Total Retail	\$13,000	\$9,543	\$3,457	\$10,136	\$2,864
Non-Retail	\$3,215	4,128	(914)	3,630	(415)
Total All Outlets	\$16,215	\$13,671	\$2,543	\$13,766	\$2,448

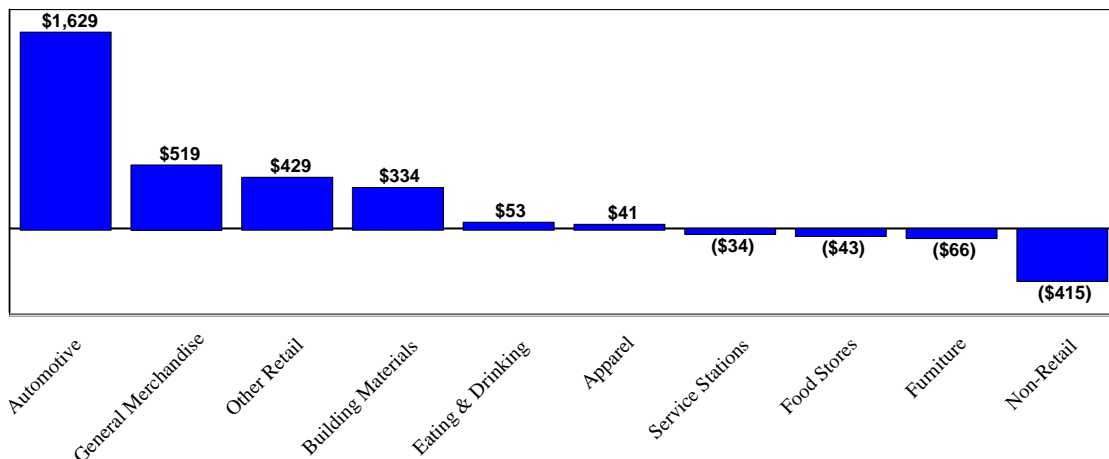
Note: Riverside Co. decreased 2.6% and San Bernardino Co. decreased 0.8% as their median incomes are above that of the city

Source: CA Board of Equalization, CA Department of Finance, Economic & Politics, Inc.

Retail Sales Gap By Sector . . .

- Riverside's 2004 per capita taxable sales average of \$16,215 was \$2,448 above the average for Riverside County (\$13,766) and \$2,543 above that of San Bernardino County (\$13,671), after the latter had been adjusted downward for the fact that the counties had somewhat higher median income levels than the city (*Exhibit 75*).
- Downward adjustments to Riverside (-2.6%) and San Bernardino (-0.8%) counties *per capita sales data* were made in order to allow for the fact that Riverside's median family income, and thus resident purchasing power, was a little lower than that of the counties. After these adjustments, a positive in Exhibit 76 means that the city is gaining sales taxes from other jurisdictions. The reverse is also true.
- Riverside's major per capita sales advantages came in automotive (\$1,629), general merchandise (\$519) and building materials (\$334) (*Exhibit 76*). In these sectors, it was capturing a lot of sales from nearby cities. All other sectors but service stations (-\$34), food stores (-\$43), furniture (-\$66) and non-retail (-\$415) showed an in-flow of sales. The non-retail sector was the weakest sector indicating that the city has abnormally low non-store taxable sales by its manufacturers, distributors and contractors.

Exhibit 76.-Retail Sales Gap By Sector Riverside (less) Adjusted Riverside Co., 2004



Note: Riverside Co. data changed -2.6% for amount its median income is different than Riverside
Sources: CA Board of Equalization, CA Department of Finance, Economics & Politics, Inc.

RIVERSIDE SECTION 6 INDUSTRIAL REAL ESTATE

From 1994 to March 2005, the Inland Empire industrial real estate market has been booming. Altogether, the urbanized portion of the region saw 1,254 major firms either open new operations or change locations to expand. Of these, Riverside alone accounted for 124 companies or 9.9% of the market (*see Exhibit 87 for a list of firms*). Not counting secondary impacts, the city's 124 locations were expected to add 9,414 jobs to the city's economic base upon opening. This was 8.4% of the total jobs announced by firms moving to or within the Inland Empire. It was the second largest number for a Riverside County city after Corona (10,642) (*Exhibits 85-86*).



Types of Firms. What kind of firms are expanding to locations in Riverside? Most are manufacturers (69), some are distributors (23) or service firms and agencies (32) with clientele throughout California. Office firms are underestimated in these data as the minimum size for a transaction to be included in the database used for this report was 5,000 square feet. The manufacturers averaged 994 feet of space per worker, the distributors used 1,869 (*regional average: 2,153*), and the office firms averaged 233 feet (*Exhibit 85*). What are the sources of the firms locating in Riverside? Twenty-two migrated to Riverside after leaving locations in Los Angeles or Orange Counties. Another 40 were either new to Southern California or new expansions of Southland firms. The other 62 firms moved from elsewhere in the Inland Empire.

Why Riverside? Why are these firms locating in Riverside? The city offers modern facilities, reasonable lease rates, competitive labor costs and a central location to most Inland Empire locations. It also has its own municipal utility offering long term electrical rates up to 55% below Southern California Edison. On a negotiated basis, firms can save a further 40% reduction in the first year of a special economic development rate and 20% the second year. Meanwhile, lack of space in the Inland Empire areas west of the I-15 freeway is causing more manufacturers and distributors to seek a Riverside location (*Exhibit 81*).

Riverside provides uncongested access to logistics centers such as the new DHL facility that will be built at joint use March Reserve Base and UPS hub at Ontario International Airport with its six weekly flights to mainland China. Yellow Freight Service has major regional trucking cross-docks in nearby Bloomington and San Bernardino, and Burlington Northern-Santa Fe's (BNSF) Intermodal Rail Yard is 12 miles away. The I-215 (*to San Diego*), Route 91 (*to Orange Co.*) and Route 60 (*to Los Angeles*) freeways pass through the community. A Riverside location gives firms direct access to BNSF and Union Pacific (UPSP) Railroads and the Santa Ana Regional Interceptor non-toxic brine line. The city is also an education center with four college campuses

including the University of California, Riverside. It also has the Riverside Municipal Airport with a 5,400 foot and a 2,850 foot runway plus an FAA control tower and flight service station. And, firms have access to a variety of incentive zones including redevelopment areas, the University Research Park, the Agua Mansa Enterprise Zone, the March JPA Cargo Port and the Riverside Airport Industrial Area.

Riverside's industrial zones are also doing well due to the dynamics of the surrounding Inland Empire economy. This area's gross industrial absorption began accelerating in 1997, rising from a floor of 10 million gross feet during California's recession to 48.0 million in 2001 (*Exhibit 77*). Volume was 21.6 million square feet in year-end September 2005 as lack of available space inhibited absorption.

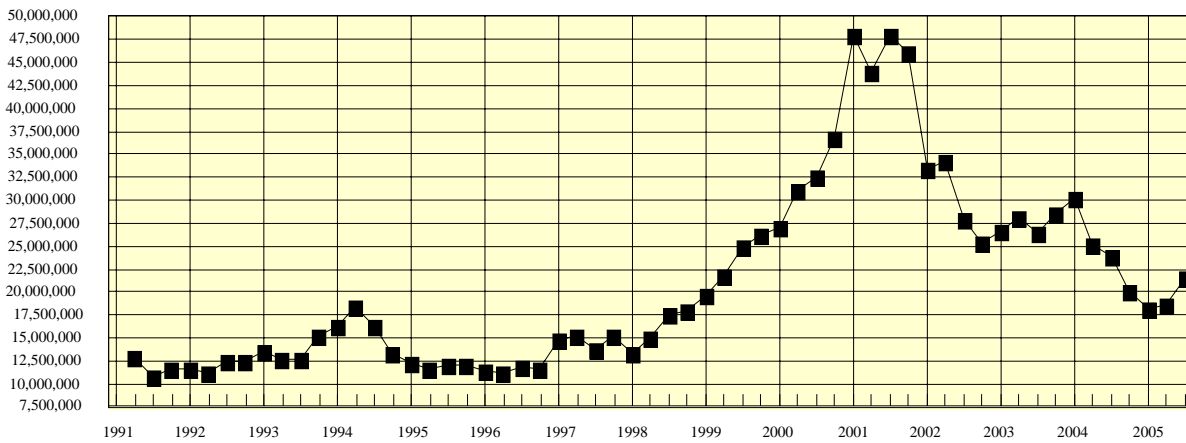
Total Supply of Industrial Space. How does Riverside's industrial market compare to other Inland Empire cities? As of June 2005, Grubb & Ellis estimates that the city had 24.6 million square feet of space either in existence or under construction. This represented 7.3% of the Inland Empire's 335.3 million square feet and ranked seventh (*Exhibit 78*). The largest supply was in Ontario (86.3 million sq. ft.). Corona (24.7 million sq. ft.) was the next largest before Riverside. Southwestern Riverside County (13.1 million sq. ft.) was the next smallest.

Space Available. In June 2005, 2.97 million square feet of Riverside's industrial space was either vacant, becoming available, or under construction and not pre-leased or sold. This represented 12.0% of the city's inventory of space existing or under construction (*Exhibit 79-82*). This city's available space ranked third in the inland region. Having space is important now that the area along the I-15 is experiencing land shortages and firms are looking eastward to cities like Riverside for locations. For the city, this trend has accelerated since California's energy crisis has highlighted the importance of the lower long term energy costs it can deliver through its city owned utility.

Lease Cost per Square Foot. In June 2005, Grubb & Ellis reported that the asking rate for Riverside's industrial space averaged **\$0.38 a square foot/month** (*nnn*). That was a little less than the cheapest coastal alternative in the San Gabriel Valley at \$0.47 per square foot a month. In Orange County, the cheapest market was the northern area at \$0.55 square foot (*Exhibit 83*). Space with uncongested access to a major airport like March Air Reserve Base or Ontario International Airport was \$0.59 a square foot for older space near LAX. It was \$0.70 a square foot near John Wayne Airport. Also, coastal county space is mostly older and less compatible with the modern supply chain management technology. In the Inland Empire, Riverside's \$0.38 per square foot asking rate meant that its space was less expensive than competitors like Temecula (\$0.55 sq.ft./mo.), San Bernardino & Redlands (\$0.44 sq.ft./mo.) and Corona (\$0.45 sq.ft./mo.). But, it was more expensive than major markets like Rancho Cucamonga (\$0.36 sq.ft./mo.), Fontana (\$0.35 sq.ft./mo.) and Chino (\$0.35 sq.ft./mo.) (*Exhibit 84*).

Types of Firms. The dominant characteristic of Riverside's expanding firms is the fact that they come from a wide variety of sectors with none of them particularly large. In addition, the city has gained many more service firms than the average Inland Empire city due to its role as a county seat. This diversity is a strength for the city since it makes it less vulnerable to fluctuations in any particular sector. The largest number of new jobs came from 23 distributors that added 1,795 positions at the time they began operations. Telecommunications including call centers and communications firms was next with nine new firms adding 1,583 jobs. Energy dependent plastic injection firms were next with seven firms and 649 jobs (*Exhibit 88*).

**Exhibit 77.-Industrial Space Gross Absorption
Inland Empire, 1991-2005 (moving 4-quarter total)**

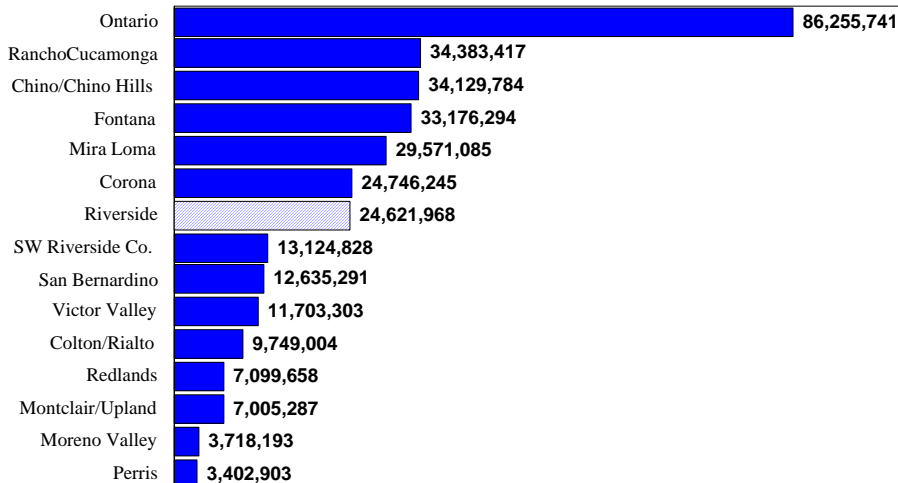


Source: Grubb & Ellis & Economics & Politics, Inc.

Total Industrial Space Available, 2005 . . .

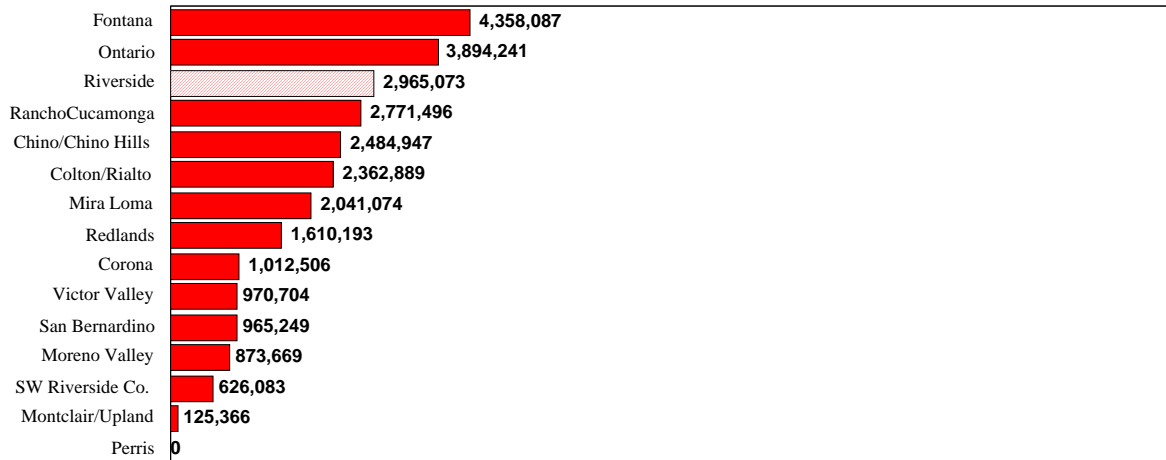
- The Inland Empire industrial real estate market, of which the City of Riverside is a part, is among the strongest in the United States. Industrial space absorption by manufacturers and distributors soared from 1998 to 2001 (*Exhibit 77*). For the 4-quarters ended at 3rd quarter 2001, gross absorption was a record 48.0 million square feet. Activity has slowed due to national and state difficulties in manufacturing and distribution. Still, for the 4-quarters ended in September 2005, some 21.6 million square feet was absorbed. (*Note: each point on Exhibit 77 shows the amount of space taken in the 4-quarters ended at that point to smooth out quarterly fluctuations.*)
- Altogether, the Inland Empire industrial market had a total of 335.3 million square feet of total space in June 2005, according to Grubb & Ellis. This includes space under construction. Of this, 24.6 million square feet was located in Riverside (7.3%). The city's share of total space ranked seventh (*Exhibit 78*). The largest supply was in Ontario (86.3 million square feet). Corona (24.7 million square feet) was the area that was just above Riverside. Southwestern Riverside County (13.1 million square feet) was the next smallest.

**Exhibit 78.-Industrial Space, Existing or Under Construction, By Market
Inland Empire, June 2005**



Source: Grubb & Ellis, Bradco Companies

**Exhibit 79.-Industrial Space Availability By Market
Inland Empire, June 2005, Existing & Available Under Construction**

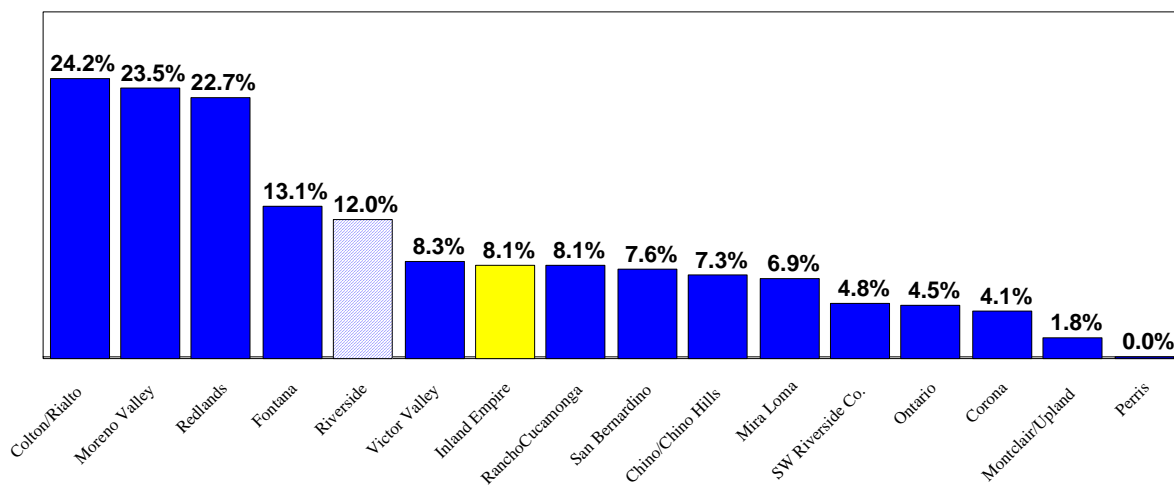


Source: Grubb & Ellis, Bradco Companies

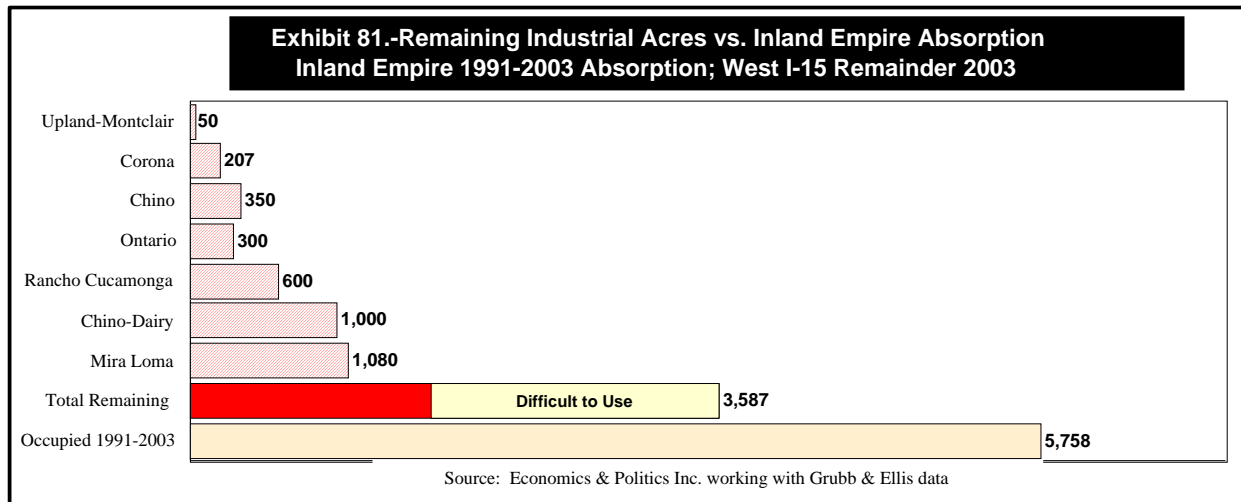
Industrial Space Availability, 2005 . . .

- It is important for cities to have available industrial space as it gives them flexibility when companies express an interest in the region. In June 2005, the 2.97 million square feet of industrial space in Riverside that was either vacant, coming on the market or under construction and unleased was the third largest amount in the Inland Empire (*Exhibit 79*). The city's availability recently passed Mira Loma and Corona. This occurred because space is disappearing along the I-15, forcing industrial developers and firms to migrate deeper inland.
- In June 2005, 12.0% of Riverside's industrial space was available for leasing (*Exhibit 80*). This was above the 8.1% average for the Inland Empire as a whole. Again this included vacant space, occupied space coming on to the market and space under construction that is not yet leased or sold.
- With communities on the west side of the I-15 freeway running short of land, developers have begun to build sites in and near Riverside. This fact, plus the city's low energy rates, should cause a growing flow of companies to locate in the city.

**Exhibit 80.-Industrial Space Availability Rate, Existing & Under Construction
Inland Empire, By Market, June 2005**



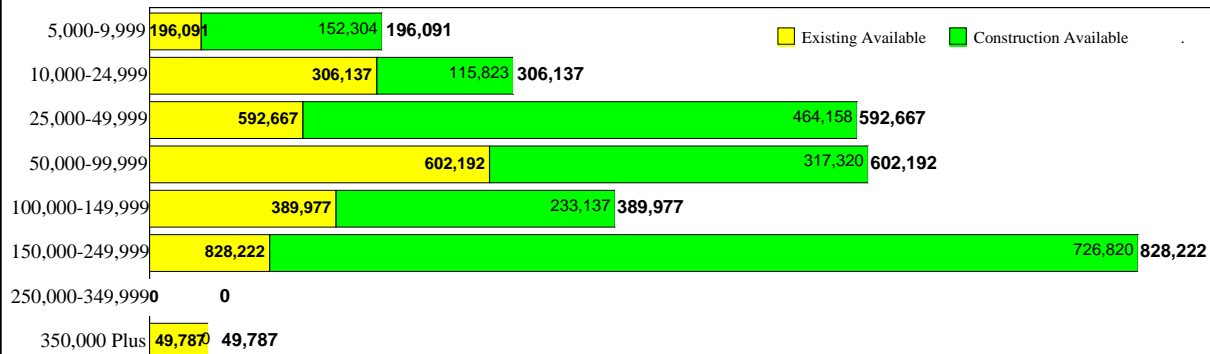
Source: Grubb & Ellis, Bradco Companies



Industrial Market Heading Inland . . .

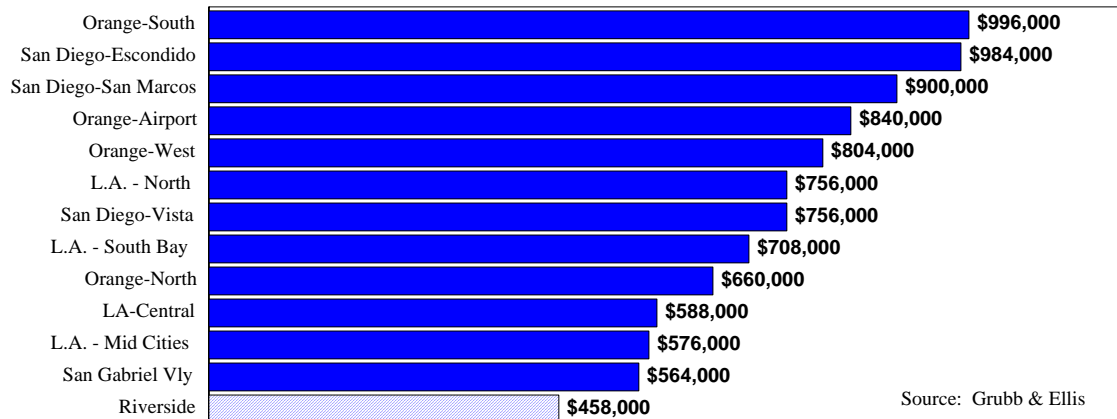
- About 3,587 acres of industrial land along the I-15 had not been developed by 2003. This includes Chino dairy areas with no infrastructure and Mira Loma where environmental concerns have nearly stopped building. It also includes many small parcels that cannot be assembled for major projects. That leaves about 1,500 acres that might be developed, most of which is already being permitted (*Exhibit 81*). That is much less than the 5,758 acres absorbed in the 12 years from 1991-2003. If that period is repeated going forward, the Westend cannot accommodate the growth. Future demand will likely be greater as the earlier period included the steep post-Cold War recession. Also, there is less land available now in the coastal counties than in that period. And, international trade through the ports is soaring, forcing logistics firms to look for inland sites. Combined, these forces are causing the industrial market to migrate eastward towards Riverside.
- Meanwhile, Riverside has its own municipal utility with long term electrical contracts that allow Riverside's firms to pay up to 55% less than for those using Southern California Edison. For 1500 kwh a month, the difference is \$166.12 vs. \$186.72 in electrical cost. Riverside may offer firms an Economic Development Electrical Rate that includes savings of 40% the first year and 20% the second year of an agreement. In addition, DHL has decided to joint use March Air Reserve Base as its western U.S. hub giving industrial operations located in Riverside direct access to overnight delivery service for large and small shipments.
- In June 2005, firms interested being in Riverside had access to 2.97 million square feet of available space. The largest shares were in facilities of 150,000-249,999 square feet (828,222 *sq. ft.*) favored by mid-sized distributors; 50,000-99,999 square feet (602,192 *sq. ft.*) desired by manufacturers or small distributors; and 25,000-49,999 square feet (592,667 *sq. ft.*) used by small manufacturers (*Exhibit 82*).

**Exhibit 82.-Industrial Sites, Existing or Under Construction & Available
Riverside, June 2005**



Source: Grubb & Ellis

**Exhibit 83.-Industrial Space Costs, Southern California
Asking Annual Lease Rates (nnn), 100,000 Sq. Ft., June 2005**

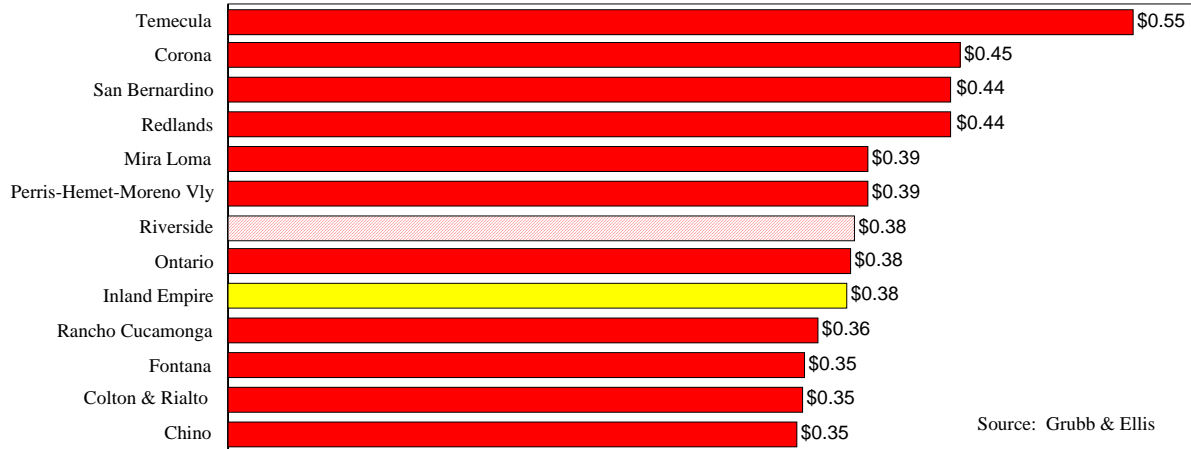


Source: Grubb & Ellis

Industrial Lease Rates (nnn), June 2005 . . .

- In June 2005, Grubb & Ellis reported that the asking rate for Riverside's industrial space averaged **\$0.38 a square foot/month (nnn)** or \$458,000 a year for 100,000 square feet. That was \$106,000 (27%) less than the cheapest coastal alternative in the San Gabriel Valley at \$0.47 per square foot a month (\$564,000). In Orange County, the cheapest market was the northern area at \$0.55 square foot a month (\$660,000), a \$202,000 (51%) premium (*Exhibit 83*).
- Space with uncongested access to a major airport like March Air Reserve Base or Ontario International Airport was \$0.59 a square foot near LAX (\$708,000), a \$250,000 (63%) premium over Riverside. It was \$0.70 a square foot near John Wayne Airport (\$840,000) or \$382,000 (97%) more than Riverside. In addition, coastal county space is mostly older and less compatible with modern supply chain management technology.
- In the Inland Empire, Riverside's \$0.38 per square foot asking rate was the same as Ontario but less expensive than competitors like Temecula (\$0.55 *sq.ft./mo.*), Corona (\$0.45 *sq.ft./mo.*), San Bernardino and Redlands (\$0.44 *sq.ft./mo.*) and Mira Loma (\$0.39 *sq.ft./mo.*). However, its space was more expensive than major markets like Rancho Cucamonga (\$0.36 *sq.ft./mo.*), Fontana (\$0.35 *sq.ft./mo.*) and Chino (\$0.35 *sq.ft./mo.*) (*Exhibit 84*).

**Exhibit 84.-Industrial Space, Asking Lease Rates
Inland Empire, Sub-Markets, Sq. Ft./Month, June 2005**



**Exhibit 85.-Major Firms Purchasing Space For Expansion
Riverside, 1994 to March 2005**

Sector	Firms	Percent	Jobs	Workers	Percent	Workers/Firm
Manufacturing	69	55.6%	Manufacturing	5,018	53.3%	72.7
Distribution	23	18.5%	Distribution	1,795	19.1%	78.0
Service	31	25.0%	Service	2,541	27.0%	82.0
Federal Agencies	1	0.8%	Federal Agencies	60	0.6%	60.0
Total	124	100.0%	Total	9,414	100.0%	75.9
Source	Firms	Percent	Other	Square Feet	Percent	Feet/Worker
Migrate from LA/OR	22	17.7%	Manufacturing	4,985,140	55.8%	994
New Growth	40	32.3%	Distribution	3,353,479	37.5%	1,869
New To Inl. Empire	62	50.0%	Service	591,975	6.6%	233
Expand Locally	62	50.0%	Federal Agencies	10,000	0.1%	167
Total	124	100.0%	Total	8,940,594	100.0%	950

Source: CB Commercial, Grubb & Ellis, Cushman Wakefield, Lee & Associates, Collins Fuller, Inland Empire Economic Partnership

Firms Migrating, 1994 to March 2005 . . .

- From 1994 to March 2005, major real estate transactions caused **124** companies to expand in Riverside due to its available space, its lower electrical, lease and labor costs, plus its excellent logistics infrastructure. They represented 9.9% of the 1,254 firms that expanded in the Inland Empire (*Exhibits 85-86*). Of these firms, **22** firms (17.7%) came to Riverside from coastal counties. Another 40 were new to Southern California (32.3%). The other **62** firms (50.0%) expanded within Riverside or moved from elsewhere inside the Inland Empire.
- The 124 firms indicated an intent to add **9,414 jobs** to Riverside's economic base at the time they were announced. Of these: **53.3%** were manufacturing jobs above the region's 40.8%; **19.1%** were distribution jobs, well below the region's 42.6%; **27.6%** were service or federal jobs far above the 16.6% for the Inland Empire area. The 9,414 new city jobs represented 8.4% of the 112,291 created by all major transaction in the region.
- The 9,414 jobs created by Riverside's expanding companies was the second largest number for a Riverside County area after the 10,642 in Corona. Ontario has been the Inland Empire leader in jobs created by firms moving to expand with 27,249 new jobs.
- Riverside's expanding manufacturers added jobs at roughly the same average as the region: 72.7 vs. 70.1. Jobs in new distributors were much less: 78.0 vs. 107.7. Its new office firms also averaged less jobs: 82.0 vs. 105.1. The total space taken in the city was 8.9 million square feet. Manufacturers used 994 feet per worker, about equal to the region's 991. City distributors used 1,869 feet per worker, well below the region's 2,153

feet. Its new office firms used 233 feet per worker, about the Inland Empire's average of 250 (*Exhibit 87: list firms*).

**Exhibit 86.-Major Firms Purchasing Space For Expansion
Inland Empire, 1994 to March 2005**

Sector	Firms	Percent	Jobs	Workers	Percent	Workers/Firm
Manufacturing	654	52.2%	Manufacturing	45,832	40.8%	70.1
Distribution	444	35.4%	Distribution	47,806	42.6%	107.7
Service	143	11.4%	Service	15,031	13.4%	105.1
Govt. Agencies	13	1.0%	Govt. Agencies	3,622	3.2%	278.6
TOTAL	1,254	100.0%	TOTAL	112,291	100.0%	89.5
Source	Firms	Percent	Other	Square Feet	Percent	Feet/Worker
Migrate from LA/OR	298	23.8%	Manufacturing	45,437,440	29.5%	991
New Growth	<u>477</u>	<u>38.0%</u>	Distribution	102,934,187	66.8%	2,153
New To Inl. Empire	775	61.8%	Service	3,758,743	2.4%	250
Expand Locally	479	38.2%	Govt. Agencies	2,042,200	1.3%	564
TOTAL	1,254	100.0%	TOTAL	154,172,569	100.0%	1,373

Industrial Real Estate

Exhibit 87.-Major Firms Expanding Riverside, 1994 to March 2005

Name	Where From	Date	Sq. Feet	New Jobs		Sector
Ability Counts		Jun-94	18,933	30	New	Business Service
Adam Streeter Civil Engineers		Aug-02	2,800	50	New	HQ Construction
AFG Insulating		Oct-01	77,392	40	New	Glass
Airborne Express		Oct-98	40,000	60	Expand	Distribution
Akin, Gump, Strauss, Hauer & Field		Jun-01	7,000	10	New	Business Service
Alexander Textiles		Jun-96	7,275	9	Expand	Clothing
Altek Media Group		Dec-00	5,356	10	Expand	Telecomm
Aluminum Body Corp.	Montebello	Oct-99	130,000	360	Migrate	Vehicle
Aluminum Body Corp.	Montebello	Nov-02	85,000	75	Migrate	Vehicle
American Express		May-98	7,200	10	Expand	Finance
American Lighting		Jun-00	100,000	100	New	Electric
Award Windows, Inc.		Oct-99	24,000	40	New	Building Material
B&W Tile Company	Westminster	Jun-95	53,680	25	Migrate	Distribution
Banner Mattress		Nov-04	80,000	120	Expand	Home Products
BF Goodrich Co.	Irvine	Aug-99	0	50	Migrate	Aerospace
Big 5 Sporting Goods		May-04	969,572	300	Expand	Distribution
Blazing Industries		Dec-99	23,000	28	Expand	Metal Fabricate
Blue Rhino		Jul-03	15,000	75	New	Distribution
Botanical Concepts		Jun-01	30,000	40	New	Home Products
Broyhill Furniture Industries, Inc.		Jun-04	206,000	115	New	Distribution
Can-Fibre Group Ltd.		May-99	60,000	75	New	Building Material
CanFibre, U.S.		Aug-97	140,000	75	New	Furniture
Champion Electric		May-03	20,924	25	Expand	Electric
Champion Lumber Inc.		Oct-99	17,089	20	Expand	Building Material
Charter Communications		Jan-01	100,000	100	Expand	Telecomm
Defense Media Center		Dec-02	10,000	60	New	Government
Design Facilities Construction		Dec-97	75,000	50	New	Building Material
DHL		Nov-04	350,000	300	Expand	Distribution
Edge Plastics		May-96	10,840	9	Expand	Plastic
EJAY Filtrations		Sep-95	10,000	21	Expand	Filter
El Toro	Laguna Niguel	Aug-97	0	84	Migrate	Machinery & Equip
Encore Pharmaceutical		Aug-01	2,000	5	New	Pharmaceutical
Erlanger Distribution		Jul-95	40,220	40	New	Distribution
Ernst & Young		Nov-98	8,400	30	Expand	Business Service
First United Door Technologies		Nov-02	21,000	30	Expand	Distribution
Fitness Outlet, Inc.	Lake Forest	Sep-01	16,303	20	Migrate	Sport
Flexsteel Industries, Inc.		Oct-99	30,000	15	Expand	Furniture
Flyer Graphics	Walnut	Jun-95	95,380	65	Migrate	Paper
Fresh Start Bakeries		Oct-00	68,000	85	New	Food
GAR-Laboratories		Jan-97	16,530	17	Expand	Bottling
General Marble		Mar-97	41,642	20	Expand	Home Products
GFT LLC		Oct-99	17,500	5	Expand	Building Material
Giant Warehouse, Inc.		Dec-01	43,428	25	Expand	Distribution
Global P.E.T.		Mar-03	24,000	25	Expand	Recycle
Grillos Filters		Jun-98	42,000	51	Expand	Home Products
GST Telecom Inc.		Apr-96	2,500	8	New	Telecomm
Guy Evans, Inc.		Feb-03	24,000	70	Expand	Building Material
Hacienda Furniture	Fullerton	Oct-00	51,500	32	Migrate	Furniture
Hartford Financial	Brea	Aug-02	20,000	90	Migrate	Insurance
I/O Software		Jun-95	5,130	3	Expand	Distribution
I/O Software		Aug-02	17,000	70	New	Software
IEM Furniture	Commerce	Aug-00	400,000	200	New	Distribution
iMedRIS		Jan-04	10,000	10	Expand	Software
INFONXX		Mar-96	5,000	80	New	Telecomm

Industrial Real Estate

INFONXX		Jun-01	22,000	220	Expand	Telecomm
INFONXX		Feb-03	15,000	150	Expand	Telecomm
Inland Co. Legal Services		Mar-01	7,618	3	Expand	Business Service
Inland Cold Storage		Aug-01	252,000	20	Migrate	Distribution
Inland Empire Supplies		Jan-95	13,000	25	Expand	Sales
International Express Furniture		Jun-00	300,000	100	New	Furniture
International EZ-UP Inc		Apr-95	90,000	80	Expand	Metal Fabricate
K&N Engineering		Apr-99	271,000	400	Expand	Auto Parts
K&N Engineering		Sep-95	49,860	40	New	Filter
Kathis		Dec-95	12,000	5	New	Vehicle
Kevco Distribution		Mar-00	62,400	10	Expand	Vehicle
Kiwi Indian Motorcycles		Jun-03	11,000	12	Expand	Vehicle
KMC Wheel Company		Nov-94	81,580	50	Expand	Auto Parts
KPI Companies	Oceanside	Aug-02	18,000	20	Migrate	Medical
Los Angeles Times		Sep-99	27,280	20	Expand	Distribution
Louisiana Pacific		May-97	87,333	33	Expand	Wood Working
Luminex Software		Apr-04	15,180	15	Expand	Software
Luminex Software, Inc.		May-04	4500	15	Expand	Software
Magnussen Presidential Furniture		Feb-02	400,000	55	New	Distribution
Mortgage Capital Resources		Feb-97	20,500	95	Expand	Business Service
Nationwide Credit		Mar-00	25,000	225	New	Finance
New Horizons Comprtr. Learn		Jun-94	6,844	18	New	Business Service
NexCoil, Inc.	Long Beach	Apr-99	113,327	135	Migrate	Metal Fabricate
Oak Mill		Jan-96	20,000	10	Expand	Distribution
Pacific Bell		Nov-99	80,000	700	New	Telecomm
Pacific Consolidated Industries	Santa Ana	Aug-04	85,000	123	Migrate	Filter
Pacific Monarch Resorts		Jul-95	5,900	25	New	Sales
Pepsi Bottling Group		Nov-01	40,000	12	Expand	Bottling
Phillips Electronics		Nov-99	225,000	100	New	Distribution
Plak Smaker		Sep-94	24,419	12	Expand	Distribution
PlasCorp		Aug-02	49,000	100	Expand	Plastic
Polk Verity	Fullerton	May-98	23,000	300	Migrate	Telecomm
Premiere Laminating		May-95	15,400	5	Expand	Furniture
Prime Provider Management Co.		Jun-98	9,300	35	New	Health Care
Pro-Fiberglass Systems		Sep-99	36,240	80	New	Plastic
Progressive Wheel		Oct-95	34,480	40	Expand	Auto Parts
Prudential California Realty		May-01	15,500	75	Expand	Business Service
Quebecor World		May-02	196,000	220	Expand	Printing
Quebecor		May-02	141,000	110	Expand	Printing
Rainbow Bolt Supply		Dec-95	6,000	3	Expand	Distribution
Riverside Restaurant Equip		Feb-95	6,750	2	Expand	Distribution
S.P. Richards		Dec-94	32,000	20	Expand	Distribution
Sabert Corp.		Jan-01	120,000	35	New	Plastic
Sedgwick Claims Mgmt		Jan-05	8,311	40	New	Insurance
Sigma Stretch Film		Jul-04	76,000	80	Expand	Plastic
Signature Vending Systems	Fullerton	Sep-00	51,500	33	Migrate	Furniture
So. Calif. Air Conditioning		Apr-96	20,000	15	Expand	Distribution
SoCal Pine Furniture Mfg		Mar-95	22,840	30	New	Furniture
Speaker Craft		Apr-03	74,380	6	Expand	Electric
Sponsored Marketing Insur.		Feb-95	95,550	10	Expand	Health Care
STO Corp		May-94	18,400	15	Expand	Furniture
Swiftcomm		Jan-01	5,000	15	New	Telecomm
T.M. Cobb Co.	Orange County	Oct-99	213,613	250	Migrate	Wood Working
Talco Plastics Inc		Jun-94	70,000	250	New	Recycle
TBP Architecture		Sep-02	2,000	6	New	HQ Construction
Toro Company	Laguna Nigel	Feb-97	84,393	84	Migrate	Machinery & Equip
Toro Company		Dec-94	62,500	50	Expand	Machinery & Equip

Industrial Real Estate

Trademark Plastic		Mar-02	100,000	240	Expand	Plastic
Trademark Plastics		Aug-02	90,672	105	Expand	Plastic
Triple H Food Processors, Inc.		Oct-99	74,000	20	Expand	Food
Tri-Rail Distribution, Inc.		Sep-99	60,000	15	Expand	Distribution
Unique Carpet		Mar-99	62,500	8	Expand	Home Products
Universal Forest Products	Huntington Beach	Mar-99	118,000	200	Migrate	Wood Working
USA Industries		Nov-95	113,000	8	Expand	Metal Fabricate
Veterinary Services Inc.		Feb-03	102,545	68	Expand	Home Products
Visiting Nurses Association		Feb-94	13,583	71	Expand	Health Care
Watkins Motorlines		Feb-95	136,000	350	New	Distribution
Western Doors		Oct-99	70,000	120	Expand	Wood Working
Western Hydrostatics		Feb-98	10,800	10	Expand	Machinery & Equip
Wild Oats Markets Inc.		Jul-03	437,000	200	New	Food
Totals		124 Firms	8,940,594	9,414		

Sources: CB Commercial, Grubb & Ellis, Cushman Wakefield, Lee & Associates, Collins Fuller, Daily Bulletin, Press Enterprise, San Bernardino County Sun, Inland Empire Economic Partnership, Economics & Politics, Inc.

Exhibit 88.-Firms & Jobs In Expanding Firms, Riverside, 1994-2005

Sector	Jobs	Firms	Jobs/Firms	Sq. Ft.	SF/Jobs
Distribution	1,795	23	78.0	3,353,479	1,869
Telecommunications	1,583	9	175.9	257,856	163
Plastic Injection	649	7	92.7	482,752	744
Wood Working	603	4	150.8	488,946	810
Auto Parts	490	3	163.2	387,060	791
Vehicle & Modual	462	5	92.4	300,400	650
Printing	330	2	165.0	337,000	1,021
Home Products	307	6	51.1	358,687	1,170
Furniture	305	8	38.1	629,640	2,064
Food	305	3	101.7	579,000	1,898
Recycle	275	2	137.5	94,000	342
Business Service	261	7	37.3	84,795	324
Building Material	260	6	43.3	217,589	837
Metal Fabricating	251	4	62.9	339,327	1,349
Finance	235	2	117.5	32,200	137
Machinery & Equip	228	4	57.0	157,694	692
Under 200 Jobs	1,074	29	37.1	840,169	782
Total	9,414	124	75.9	8,940,594	8,940,594

Sources: CB Commercial, Grubb & Ellis, Cushman Wakefield, Lee & Associates, Collins Fuller, Daily Bulletin, Press Enterprise, San Bernardino County Sun, Inland Empire Economic Partnership, Economics & Politics, Inc.

- The major sector bringing new jobs to Riverside became distribution in 2005 with 23 firms and 1,795 new jobs. It was followed by telecommunications including call centers and communications firms with 9 firms opening in the city and adding 1,583 jobs.
- In terms of number of firms, the next largest gains were eight new furniture manufacturers with 305 jobs and seven plastic injection and business service firms. In terms of workers, it was plastic injection adding 649 and woodworking firms, including furniture manufacturers, adding a combined 603 workers.
- The dominant characteristic of Riverside's expanding firms, other than those in distribution, is the fact that they come from such a wide variety of sectors, none of them particularly large. The city has gained far more service firms than the average Inland Empire city due to its role as a county seat and office center.

Riverside Incentive Zones, 2005 . . .

Several special incentive zones have been designated by the City of Riverside to help broaden the city's economy:

University Research Park near the University of California Riverside is an incubator project that has gone from a 39-acre first phase into 17-acre second phase. It is being jointly developed by UCR, and the City and County of

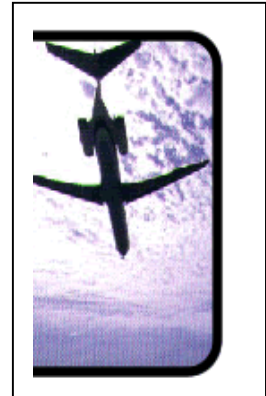


Riverside. Its purpose is to provide entrepreneurs and high technology businesses with modern, reasonably priced facilities adjacent to the university that gives them access to broadband and other infrastructure needed for modern development. Currently, tech flex space is available in multiple buildings with more expected to open in 2006. There is room and incentives for technological build-to-suits. The area

has flexible MP zoning and is near exciting University Village featuring high tech entrepreneurs clustered around Starbucks, Rubio's Baja Grill, Ben & Jerry's, Fat Burger, a Tenplex Metropolitan theater complex and other shopping/entertainment/dining.

Riverside Airport Industrial Area is a 1,660 acres commerce park including an airport with a city-owned airfield with a 5,401 foot and a 2,851 foot runway plus, an FAA tower and flight service station, and a instrument landing system. Operators of corporate aircraft will find a fly-in business conference center and new FBO facilities featuring many aviation services not offered elsewhere in the Inland Empire. The area, which boost considerable affordable industrial and commercial space, is already home to operations of Anheuser-Busch container corporation, Dow Jones, Fleetwood, Hartz, Toro, and Flexsteel, plus firms in web printing, food processing and auto wholesaling.

Firms located in the Riverside Airport Industrial Area can take advantage of its superior Union Pacific Railroad connections and its proximity to wastewater treatment facilities. Route 60 (to Los Angeles) and Route 91 (to Orange County) are nearby. As a Local Enterprise Zone, special tax and fee incentives are available to firms relocating or expanding in the area, and the City's Redevelopment Agency can provide financial aid for eligible activities.

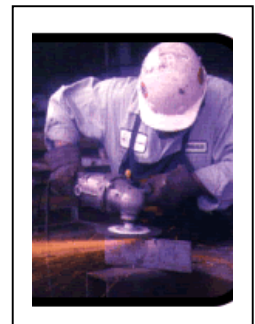


March Joint Powers Authority is 7,150 acres surrounding March ARB that have been designated a redevelopment agency. The U.S. Air Force will permit joint use of the runway at the facility. Development is therefore being planned around an "Air Cargo Port" strategy. Phillips Electronics has announced it will locate a 225,000 foot distribution facility at the site. Lowe's is locating a 1.2 million foot warehousing operation nearby. With the decision by



Orange County voters to not have the former El Toro Marine Base in south Orange County developed as an airport, the March JPA site has the greatest likelihood of being the airport of choice for the expansion of air cargo handling for San Diego County. DHL opened its western U.S. hub for large and small overnight cargo shipments at this joint use airport.

Agua Mansa Enterprise Zone straddles the Riverside-San Bernardino County line and includes parts of the City of Riverside. Companies locating in the zones are eligible for a variety of financial incentives under California law. Equipment purchased can be immediately deducted as a business expense the first year. Approximately \$30,000 in federal & state tax credits per eligible employee area available in a 5-year period. Sales tax credits on \$20 million in qualified new machinery and parts purchased by manufacturing or fabricating firms can be claimed. Interest earned on investments in the zone is exempt from California state income taxes. If a net operating loss is experienced by a firm, it can be carried over to reduce future income taxes. There are potential State tax credits for employees. And, a 5% preference is awarded on contract bids of over \$100,000 with the State of California.



RIVERSIDE SECTION 7 OFFICE REAL ESTATE

In 2005, the latent strengths of the Riverside and Inland Empire office markets are finally emerging. The 2000-2020 forecasts from the Southern California Association of Governments (SCAG) and San Diego Association of Governments (SANDAG) indicate the Inland Empire is expected to add more people (1,764,194), jobs (805,286) and firms (60,756) than Orange and San Diego counties combined, and just a few less than giant Los Angeles County (*Exhibit 96*). Meanwhile, *ratios of office jobs to people, jobs and companies* reveal that the inland area's office market is already greatly under-serving its residents and economy. For instance, the Inland Empire has just 15.3 square feet of *office space per job*, far below Orange (63.6), Los Angeles (44.1) and San Diego (39.0) counties. This is an indication that office firms continue to serve the inland economy from coastal county locations (*Exhibit 95*). Combined, these data predict that the inland office market will soon see the burst of energy recently found in its high-end housing and retail markets. To help this occur, the Western Riverside Council of Governments recently elected to not have office developments pay the increased TUMF fees applicable to other developments.

Low Vacancy, High Absorption. Other evidence supports this aggressive view. Already, the region's vacancy rate is just 7.2% making it one of the tightest office markets in the United States (*Exhibit 91*). Office space net absorption, which was negative as recently as first quarter 2002 reached 2.0 million square feet during the 4-quarters ended in September 2005. It was 741,390 square feet during 2004 (*Exhibit 89*). That year absorption levels were likely inhibited by lack of available space, a contention supported by the fact that the Inland Empire's office market remains very small. Today, it contains 20.3 million square feet of space (*Exhibit 90*). Los Angeles County had nine times that amount (184 million sq.ft.). Orange County had 3.5 times as much (69 million sq.ft.) and San Diego County had three times that amount of space (65 million sq.ft.).

As a result, office permits have risen dramatically in the Inland Empire. In Riverside, alone, the space under construction includes: 135,000 square feet at Market Street & SR-60; 450,000 square feet in Mission Grove, Riverwalk and Canyon Springs; a 135,000 square foot 6-story building near city hall; and a 150,000 square foot 5-story headquarters for the Press Enterprise. Another 350,000 square feet of garden style office buildings will start in Hunter Park in 2005.

Educated Workers. Certainly, population-serving office firms and companies that supply services to other companies should be considering the local economy. In addition, the inland region's lower labor costs (*Exhibit 128*) are causing large back office operations to now migrate to it. Once, office space users avoided the Inland Empire believing that its labor force was not appropriate for their functions. Today, that is far from true since the extraordinary cost of housing in the coastal counties has driven thousands of technicians, professionals and executives into the new upscale neighborhoods in the inland region. Thus, Census data indicate from 2000-2004, there was an 81,823 (30.8%) increase in Inland Empire adults with bachelors or higher degrees.

This shift, plus Riverside's educational advantage are reasons that corporate offices, professional and technology firms should also be considering the city and region. Within 30-minutes of Riv-

erside, companies have access to the research, interns and graduates of 21 colleges, universities and community colleges (*Exhibit 107*). This includes the University of California Riverside, the fastest growing campus in the UC system and a research center in biotechnology, environmental science, engineering and information technology. And, the 30,000 student Riverside Community College is a state leader in rapidly adapting its training programs to the needs of local companies. Near Riverside, impressive engineering and bio-technical work is being conducted at Harvey Mudd College and the Keck Graduate School of Applied Life Sciences in Claremont. Cal Poly Pomona trains the largest number of undergraduate engineers in the Western states. Loma Linda University is one of the world's top medical schools. Cal State San Bernardino is the fastest growing state university campus. There is also an impressive list of nationally ranked private, liberal arts schools including the Claremont Colleges and the University of Redlands. California Baptist University and La Sierra University located in Riverside offer strong liberal arts, professional and teaching programs.

Broadband. Riverside owns its own electrical utility. This provides the dual advantages of low electrical rates and corridors throughout the city with the finest fiber optic system available in the Inland Empire. As a result, every office in the city can access high speed broadband capability.

Airport. Ontario International Airport (*ONT*), Southern California's second largest airport after LAX, is a 20 mile drive from Riverside. It is becoming the alternative for passengers wanting to avoid the delays and congestion at LAX. It has two 13-gate terminals, a new freeway off-ramp and vast new parking lots. In 2005, passenger volume will reach a record 7.2 million (*Exhibit 133*). Office firms needing access to U.S. flights now find direct connections to nearly every major U.S. market. In Riverside, firms have access to the Riverside Municipal Airport with two 5,400 foot runways, an FAA tower, a flight service station and instrument landing system.

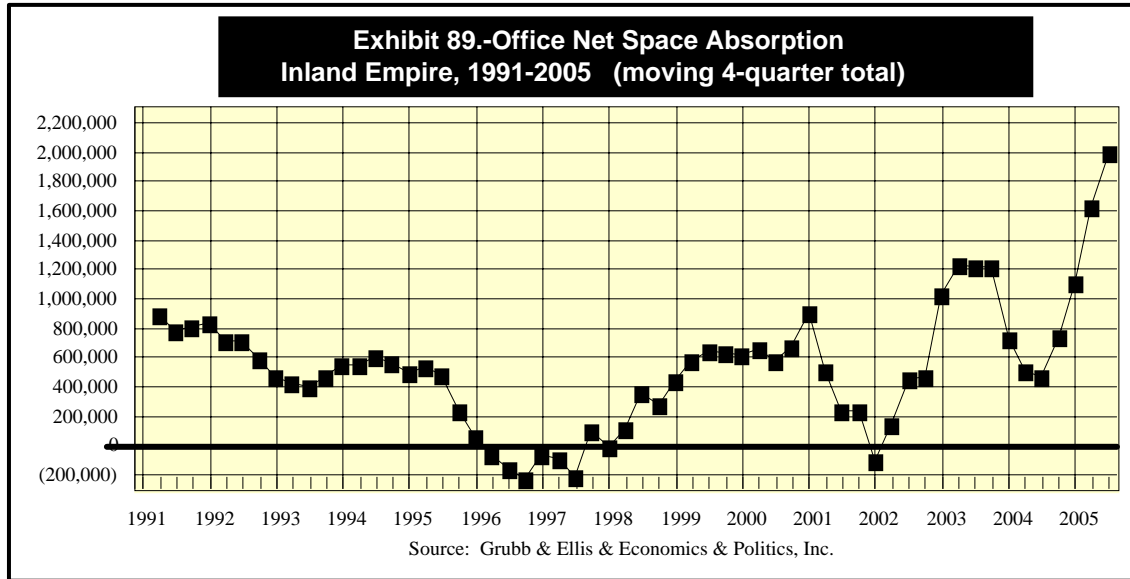
Office Inventory & Availability. According to Grubb & Ellis, the Inland Empire office market had 20.3 million square feet of space in existence or under construction in June 2005 (*Exhibit 90*). Riverside had the largest amount with 4.4 million square feet (21.8%). It was followed by San Bernardino at 3.4 million square feet. The region's other two major markets were Ontario with 3.3 million square feet and Rancho Cucamonga with 2.7 million (*Exhibit 92*). While the Inland Empire's office market is tight, Riverside does have 429,604 square feet of office space available (257,279 sq. ft.) or under construction and unleased (171,608 sq. ft.) of the region's 2.7 million square feet (*Exhibit 93*). The city's share (16.1%) ranks third in the inland region behind Ontario (592,315; 22.2%) and San Bernardino (563,800 sq. ft., 21.1%).

Lease Rates. In June 2005, Grubb & Ellis found the average lease rate in the city to be \$1.85 per square foot month (*Exhibit 94*). This was less expensive than its coastal county alternatives where the lowest cost was north Orange County (\$1.99 sq.ft./mo.) Of the five major inland office markets, it was also less expensive than Corona (\$2.36 sq. ft./mo.) and Ontario (\$1.95 sq. ft./mo.) but more expensive than San Bernardino and Rancho Cucamonga (\$1.75 sq. ft./mo.).

Note: Riverside's office market offers a wide varied of situations and lease rates. In September 2004, CB Richard Ellis found that the market included: Downtown (\$1.96 sq.ft./mo.), Hunter Park (\$1.93 sq.ft./mo.), Magnolia Center (\$1.79 sq.ft./mo.), Canyon Springs (\$1.45 sq.ft./mo.) and Tyler (\$1.55 sq.ft./mo.) and Fairmount Park (\$1.34 sq.ft./mo.).

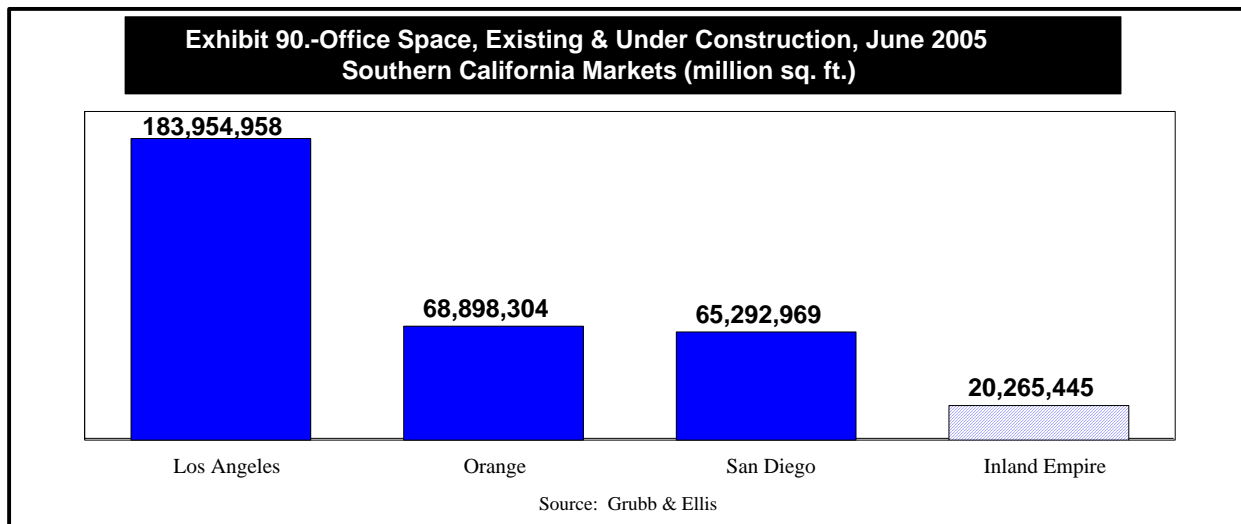
Summary. These data strongly suggested that Riverside's office market will continue to see a strong surge in activity over the coming months.

Commercial Office Market



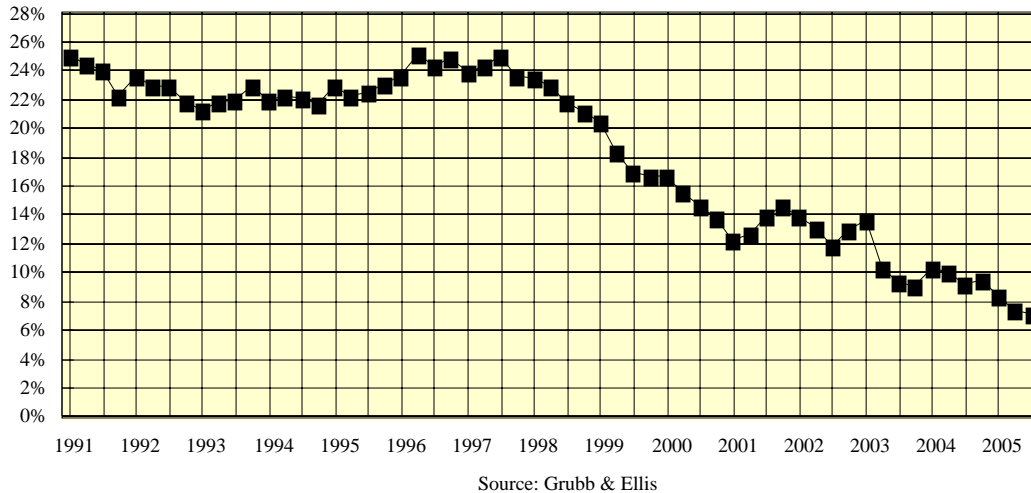
Total Inland Empire Inventory, 2005 . . .

- The Inland Empire's office market is the one part of its real estate picture that has not kept pace with its growth. As a result, the region is underserved by office firms. This situation will not last. That is the message from looking at the major potential market drivers (*see Exhibits 95-96, page 63*). As a county seat and the largest city in the Inland Empire, Riverside's office market will benefit from these conditions.
- During 2005, absorption in the Inland Empire's office market moved farther into positive territory, reaching the highest net four quarter total in well over a decade. During the 4-quarters ended in September 2005, 2.0 million square feet of space was absorbed, the highest level since at least 1991 (*Exhibit 89*). In part, firms based in Orange, Los Angeles and San Diego counties have migrated to the inland area. Also, back office operations have opened. In addition, local service providers have expanded. Firms in each category have found they must now do so to keep up with the Inland Empire's large and growing population and economy. In 2004, the market slowed largely due to a lack of space. In 2005, facilities are being built and occupied as fast as they become available.
- According to Grubb & Ellis, the Inland Empire office market had 20.3 million square feet of existing space or space under construction in June 2005. It is a tiny market compared to Southern California's coastal counties (*Exhibit 90*). Los Angeles County had 9-times as much space (*184 million sq. ft.*). Orange County had 3.5 times as much space (*69 million square feet*) and San Diego County had three times as much (*65 million sq. ft.*).



Commercial Office Market

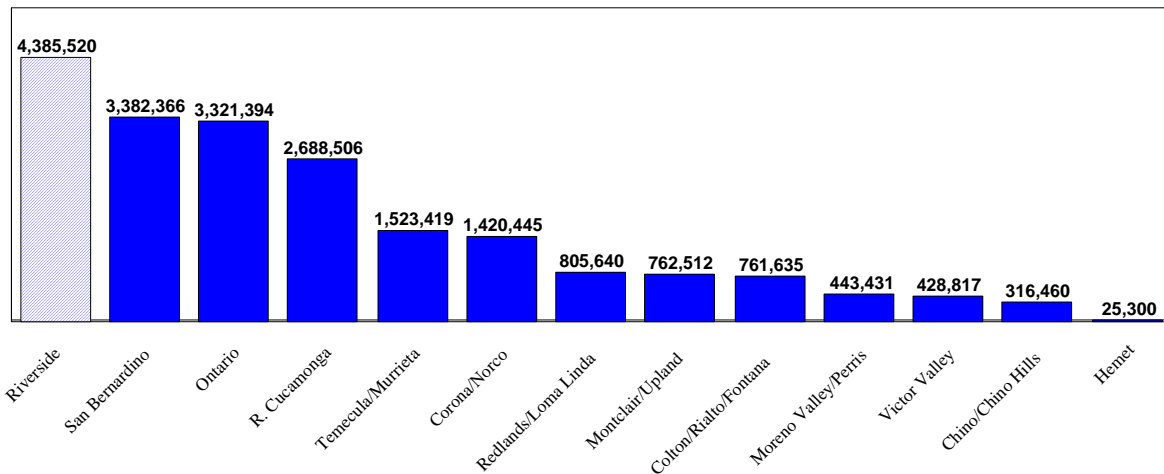
**Exhibit 91.-Office Space Availability Rate
Inland Empire, 1991-2005**



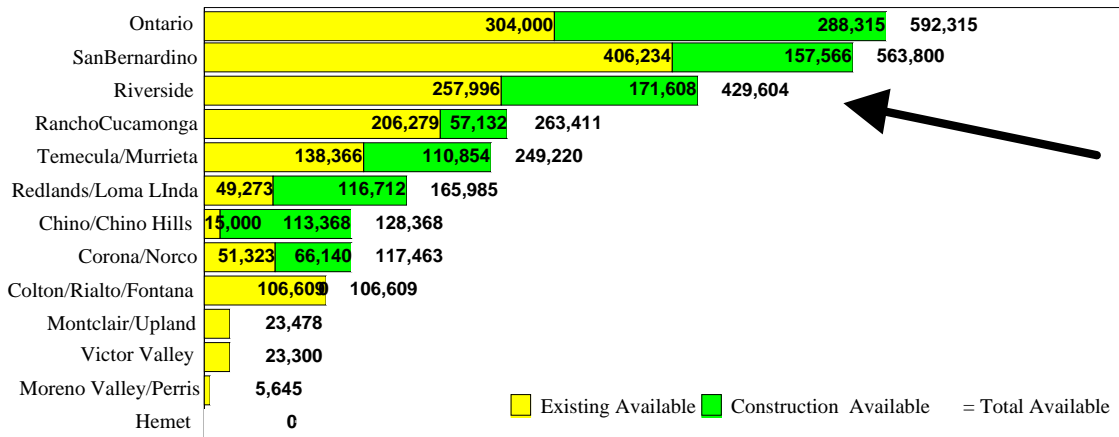
Inland Empire Office Space Availability Rates, 2005. . .

- In 1990, the Inland Empire's office vacancy rate was 25.6%. It was still 25.0% in mid-1997. However, since that time, the expanding inland economy plus its competitive advantages for population serving and back office operations and rising number of high-end workers, have sent its vacancy rate plunging even though about one million square feet of new space came on-line in this period. In third quarter 2005, Grubb & Ellis found the vacancy rate was just 7.2% (*Exhibit 91*). That makes it the second tightest suburban market in the U.S. after Bakersfield (5.6%).
- In June 2005, Riverside had 4.4 million square feet of existing office space and space under construction, the largest amount in the Inland Empire. The city's space represented 21.8% of the 20.3 million square feet in existence or under construction in the Inland Empire (*Exhibit 92*). Riverside's space included 4,213,912 square feet in existence and 171,608 under construction. The next largest market was San Bernardino (3.4 million sq. ft.).

**Exhibit 92.-Total Office Space, Existing & Under Construction
Inland Empire Markets, June 2005**



**Exhibit 93.-Available Office Square Footage
Inland Empire Markets, Existing & Under Construction, June 2005**

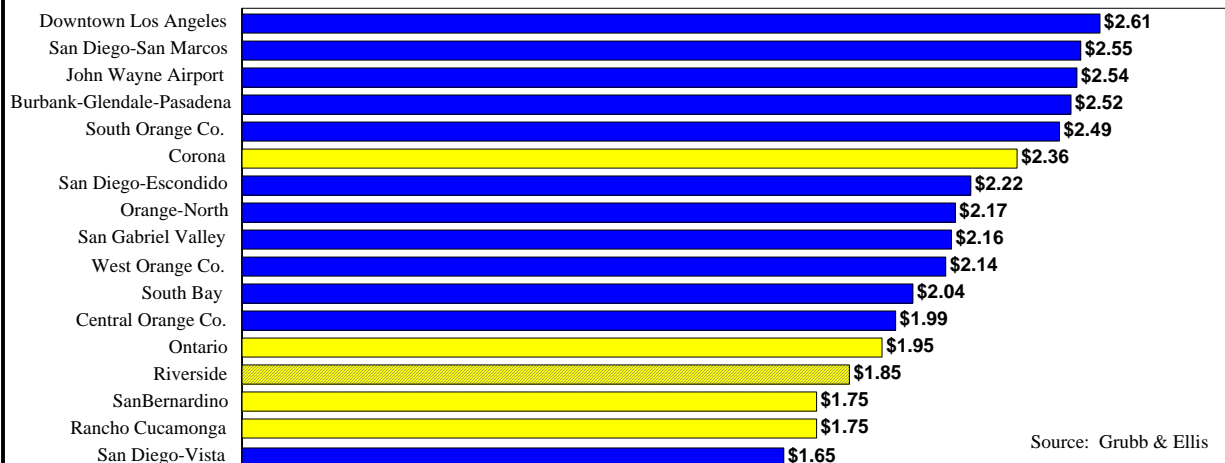


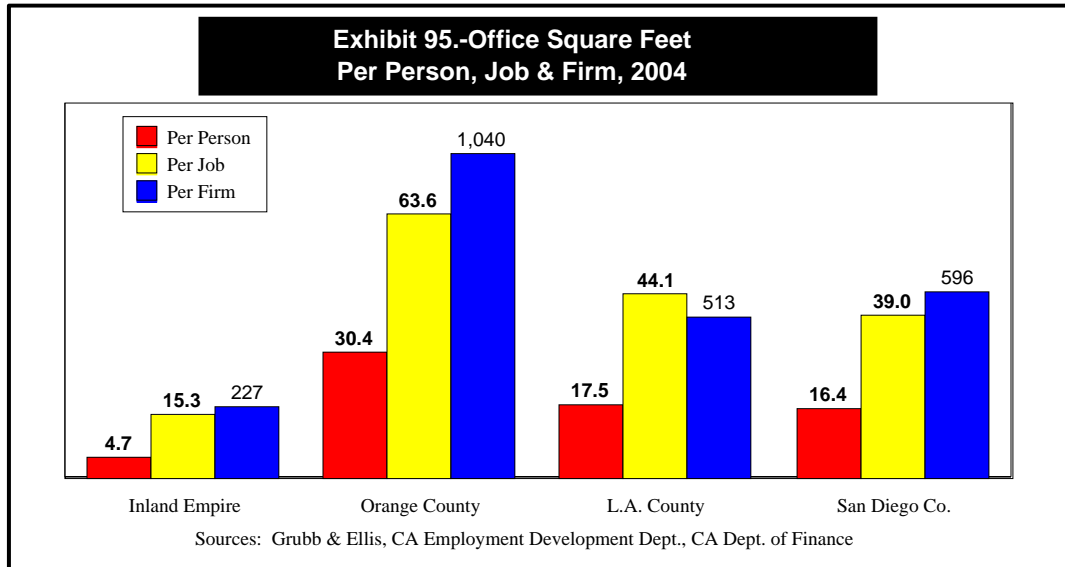
Source: Grubb & Ellis

Inland Empire Office Space Availability & Cost, 2005 . . .

- In June 2005, there was 429,604 square feet of office space available in Riverside. This included 257,996 square feet that was either vacant or occupied but becoming available. According to Grubb & Ellis, it also included 171,608 under construction but not pre-leased or sold. That represented 16.1% of the 2.7 million square feet in those categories in the Inland Empire, the third largest amount after Ontario (592,315 sq. ft.) and San Bernardino (563,800 sq. ft.) (Exhibit 93).
- In 2005, the average lease rate in the city was \$1.85 per square foot month. This was less expensive than its coastal county alternatives where the lowest cost was north Orange County (\$1.99 sq.ft./mo.) (Exhibit 94: dark colored or blue). Of the five major inland office markets (light colored or yellow), it was also less expensive than Corona (\$2.36 sq. ft./mo.) and Ontario (\$1.95 sq. ft./mo.). However, it was more expensive than San Bernardino and Rancho Cucamonga (\$1.75 sq. ft./mo.).
- In September 2005, CB Richard Ellis, found that Riverside could accommodate every type of user due to its wide array lease rates by area (not shown): Downtown (\$1.96 sq.ft./mo.), Hunter Park (\$1.93 sq.ft./mo.), Magnolia Center (\$1.79 sq.ft./mo.), Canyon Springs (\$1.45 sq.ft./mo.) and Fairmount Park (\$1.34 sq.ft./mo.).

**Exhibit 94.-Asking Office Space Lease Rates
Southern California Markets, June 2005**



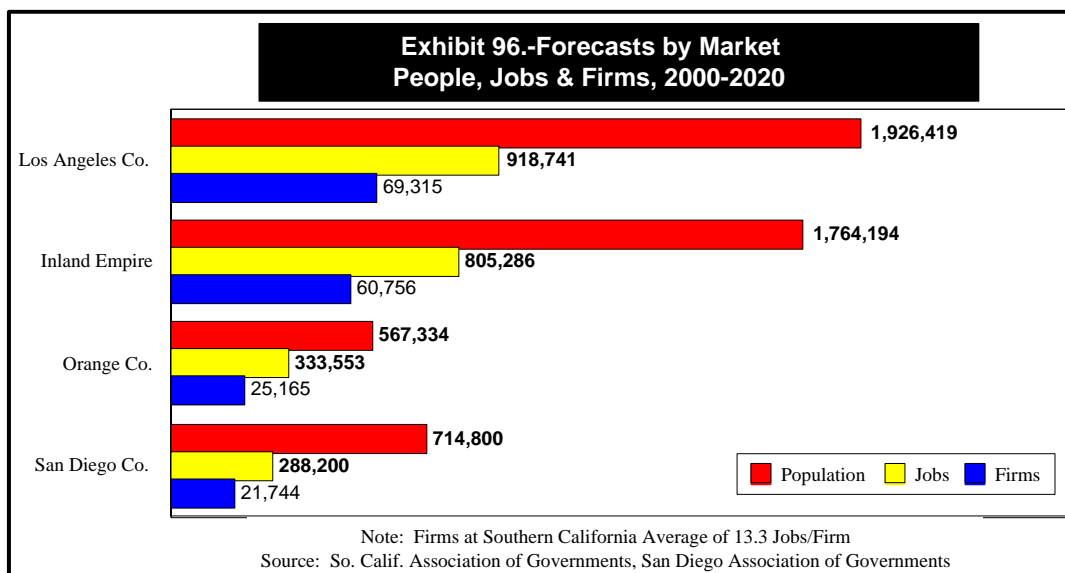


Office Space Per Square Foot, Under-served. . .

- In 2004, Riverside was a major office market in an Inland Empire region that is greatly underserved by office users. There are just 4.7 square feet of office space per capita in the area. This is far below the levels in Orange (30.4), Los Angeles (17.5) and San Diego (16.4) counties, indicating that population serving office firms are likely under represented in the inland market.
- There are just 15.3 square feet of office space per job in the inland area. Again, this is far below Orange (63.6), Los Angeles (44.1) and San Diego (39.0) counties indicating that office users serving the economy are under-represented. That fact is further emphasized with just 227 square feet of office space per firm in the inland region versus Orange (1,040), Los Angeles (513) and San Diego (596) counties.

Market Drivers, 2000-2020, Powerful Forecasts. . .

- The Inland Empire's office market is already underserved yet its market drivers will be among Southern California's strongest. According to SCAG and SANDAG, the region is forecasted to add more people (1,764,194), jobs (805,286) and firms (60,756) than Orange and San Diego counties combined. Its growth from 2000-2020 will nearly match Los Angeles County on each of these measures (*Exhibit 96*).



RIVERSIDE

SECTION 8

QUALITY OF LIFE

As a mature and growing community, Riverside has devoted an increasing amount of community resources to education, parks and law enforcement. The results have been significant. The community's high school students are performing well, its citizens now enjoy a wide array of excellent parks, and the city's crime rate has fallen dramatically.

Education. Riverside's young people attend classes in the Riverside and Alvord Unified School Districts. In 2005, the Riverside district was Riverside County's second largest with 42,521 pupils. Alvord ranked tenth with 19,964 (*Exhibit 97*).

Riverside's school districts reflect the community's diversity. In 2005, Hispanics made up 49% of students at Riverside Unified district and 66% at Alvord. White students were 36% of Riverside Unified district's students and 21% in the Alvord district (*Exhibit 98*). African-Americans were 10% in Riverside Unified and 5% in Alvord. Asians were 5% of students at both districts (*Exhibit 99*). The diversity of the city's schools ranked in the middle range for Riverside County's districts except for a higher percentage of African-Americans. The city's student body is generally a little less diverse than that of California.

Each year, the testing scores for California's school districts are used to create an index of how well their students are performing. Since the advent of this system, the Riverside and Alvord schools have generally improved each year at each school level. In 2004, Riverside Unified School District's scores exceeded the state: 746 vs. 735 at the elementary level; 713 vs. 703 at the middle school level and 704 vs. 670 at the high school level. The Alvord Unified School District tested below the state: 688 vs. 735 at the elementary level; 664 vs. 703 at the middle school level and 632 vs. 670 at the high school level (*Exhibit 100*).

Of Riverside Unified's class of 2004, 35.1% completed college preparatory classes for the University of California-Cal State University systems (*Exhibit 101*). The share was 18.7% in the Alvord district. The average for Riverside County was 27.7%. It was 33.7% in California. Of the Class of 2005 in Riverside Unified, 45.2% took the Scholastic Assessment Test with an average score of 984, up from 970 in 2004. In the Alvord district, 26.9% took the SAT with an average score of 914, down from 931 in 2004. The average for Riverside County was 965. It was 1,020 for California (*Exhibit 102*).

On an achievement basis, the Riverside Unified district's students tested in the middle tier of students in Riverside County's major districts on the 2005 STAR tests. Alvord's students tested in the lower half. Among 12 major county districts, the share of the Riverside Unified district's 3rd graders scoring at or above the national 50% level ranked 4th in reading, 5th in math, tied for 5th in language and were 9th in spelling. Alvord's 3rd graders tied for 7th in language, and finished 10th in spelling and 11th in reading and math. The Riverside district was generally above California's averages, the Alvord district below them (*Exhibits 103-104*).

For 7th graders, the Riverside District ranked 4th in math and language and 5th in reading and spelling. Alvord's tenth graders ranked between 8th and 9th on the tests. Again, the Riverside district's scores generally exceeded state averages. The Alvord district tied for 7th in spelling,

were 8th in math and language and 9th in reading (*Exhibits 105-106*). The Riverside district scored at roughly the statewide average; the Alvord district was below the state's levels.

Within a half-hour of Riverside, residents and businesses have access to large array of private and public colleges & universities (*Exhibits 107-108*). Altogether, there are 22 campuses with a combined enrollment of 155,738 students. The University of California Riverside is in the city. It is a major research center in biotechnology, environmental science, engineering and information technology. The list of schools includes nationally known private, liberal arts schools like the Claremont Colleges and the University of Redlands. Impressive scientific work is being conducted at Harvey Mudd College and California State Polytechnic University at Pomona. Loma Linda University boasts one of the top medical schools in the world. California State University San Bernardino has an excellent School of Business. And, there are five nearby community colleges including the 30,000 student Riverside Community College. The campuses of two excellent small universities, California Baptist University and La Sierra University, are in Riverside.

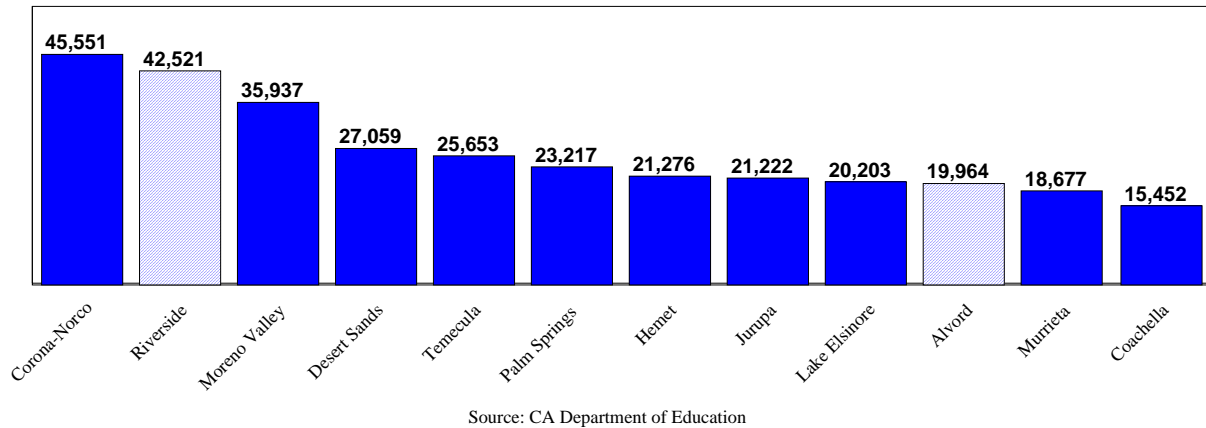
Recreation Riverside has one acre of park land for each 100.4 residents. These are located within 46 parks covering 2,844.8 acres (*Exhibit 109*). When the 147.2 acres at seven undeveloped sites are included, the system will ultimately have 53 facilities and 2,992.0 acres. The city's parks encompass wilderness areas, the UCR Botanical Gardens, the California Citrus State Historical Park, beautiful Fairmount Park with its large central lake, plus a wide variety and size of neighborhood parks with extensive facilities for individual and team sports plus family outings.

A family oriented community, Riverside's recreation department provides an extensive youth program including classes in educational fundamentals and computer skills plus recreational offerings like karate, scuba and ice skating. Young people have access to a wide range of age group competitive sports including football, basketball, baseball, soccer, and tennis. During the school year, the city conducts after-school programs at nine middle schools where young people find tutors, academic work, recreational activities and clubs. Teens can enjoy early evening Teen Scene activities at eight community centers. There is an extensive aquatics program at the city's swimming pools.

Riverside's adults can participate in basketball, volleyball and softball leagues, as well as numerous recreation classes ranging from computer training to cake decorating to pre-natal fitness. Seniors find an extensive program of activities organized through five centers spread throughout the community. Organized activities include parties, dances, potluck, trips and speakers.

Crime Rates. Riverside has become a much safer city with its crime rate down dramatically. From 1993-2004, the FBI reports that city crime per 1,000 residents **fell by 46.1%** (*Exhibits 110-111*). In this period, the number of reported crimes fell by 7,997 incidents (-35.6%) even though the city's population grew by 46,474 people (19.6%). According to the FBI, the city's violent crime rate per 1,000 people was **down 62.6%** from 1993-2004 (*Exhibit 112*). Its property crime rate was **off 42.8%** (*Exhibit 113*). Regionally, Riverside's violent crime rate of 6.3 incidents per 1,000 people ranked third below San Bernardino (13.3) and Pomona (7.5) (*Exhibits 114-117*). Its property crime rate of 44.8 incidents per 1,000 people was well below San Bernardino (57.3). The city's overall rate of 51.1 total incidents per 1,000 people was also well below San Bernardino (70.6).

**Exhibit 97.-Enrollment In 12 Largest Districts
Riverside County, Fall 2005**



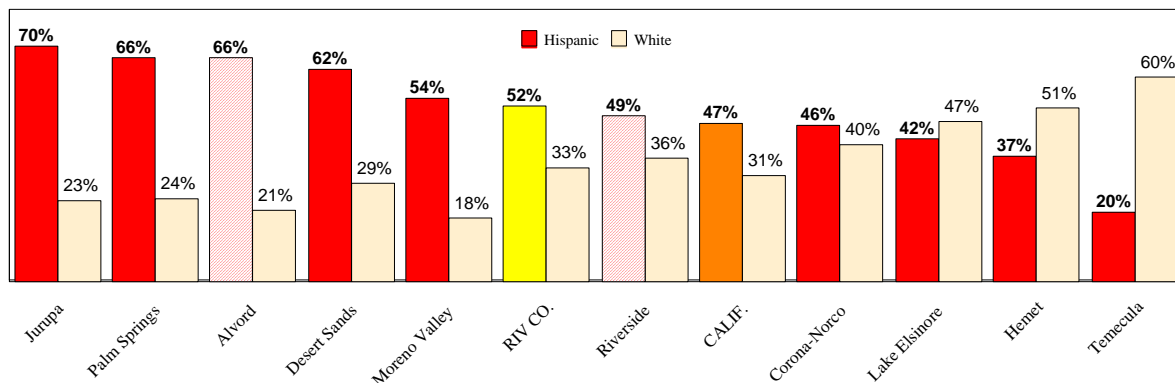
School District Enrollment, 2005 . . .

- In fall 2005, the Riverside Unified School district had 42,521 students. The city's Alvord Unified School District had another 19,964 students. Together, that represented 62,485 students. The Riverside district's 42,521 students gave it the second highest enrollment in Riverside County, behind Corona-Norco (45,551). Alvord (19,964) ranked tenth (*Exhibit 97*).

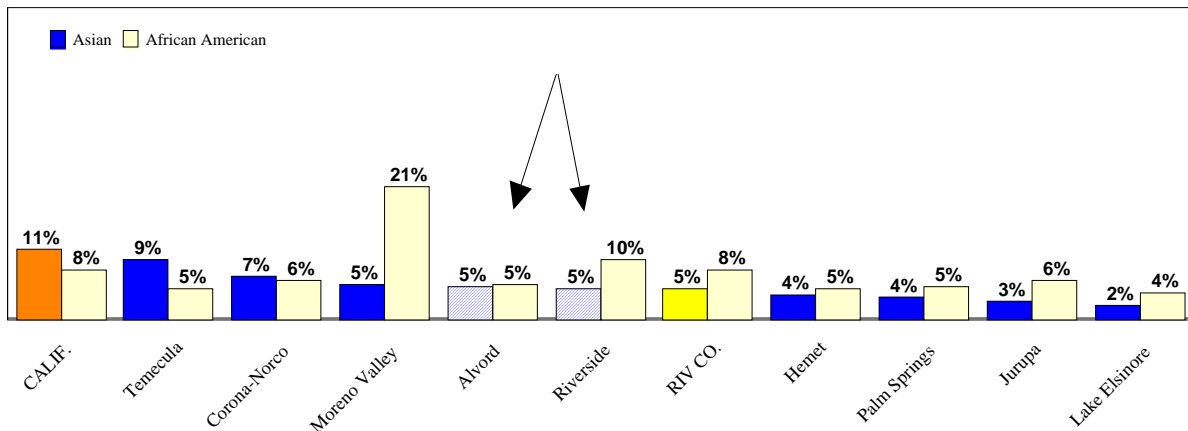
School Enrollment Ethnicity, Fall 2005 . . .

- School enrollment tells a great deal about the future diversity of the Inland Empire's communities. In 2005, 62,485 students in Riverside's combined districts: 54.3% were Hispanic, 31.3% were White, 5.0% were Asian, 5.0% were African American and 4.4% were other groups.
- By district, **Hispanic** students made up 49% of the enrollment in the Riverside Unified district and 66% in the Alvord district (*Exhibit 98*). The share was 47% in California and 52% in Riverside County. Among the 10 largest districts the biggest share was in Jurupa at 70%.
- White** students constituted 36% of Riverside Unified district's students and 21% in the Alvord district. The California average was 31% and the Riverside County average was 33%. Among the 10 largest districts the biggest share was in Temecula at 60%.

**Exhibit 98.-Percentage of Hispanic & White Students
Largest Districts, Riverside County, Fall 2005**



**Exhibit 99.-Largest Districts, Asian & African American Students
Riverside County, Fall 2005**



Source: CA Department of Education

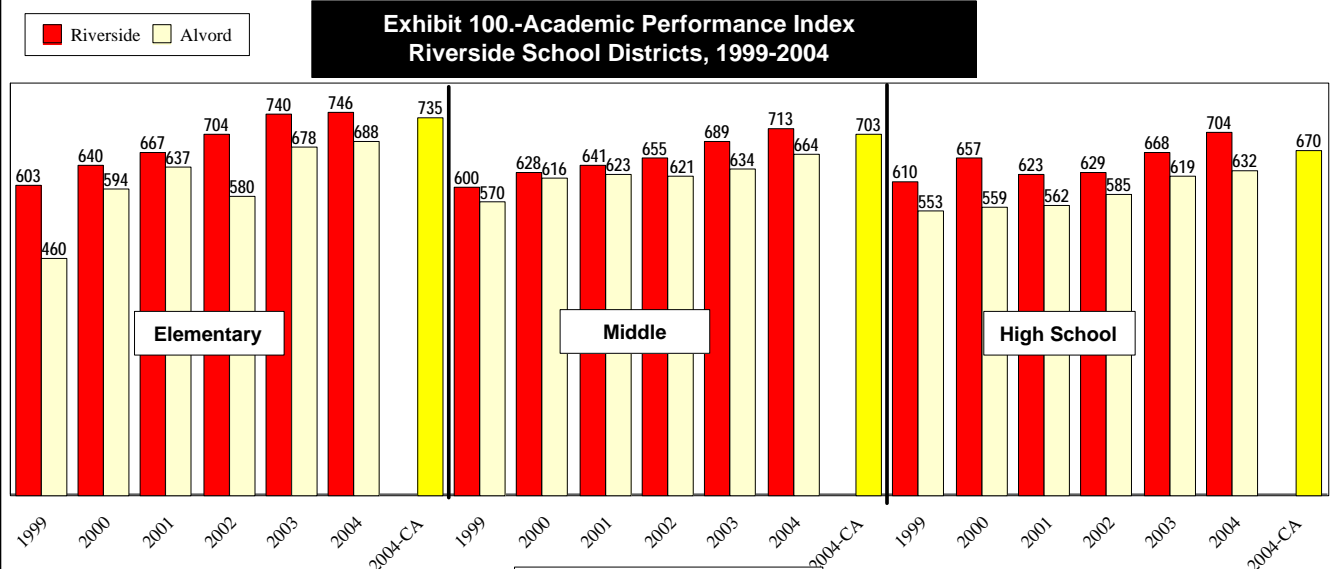
School Enrollment Ethnicity (*continued*), Fall 2005 . . .

- In fall 2005, **Asian** students made up 5% of both the Riverside Unified School District and Alvord Unified School District. The county average was 5%, the state average was 11%. In fall 2005, 10% of Riverside Unified School District's students and 5% of the Alvord Unified School District were **African American**. The county and state averages were both 8% (*Exhibit 99*).

Academic Performance Index, 1999-2004 . . .

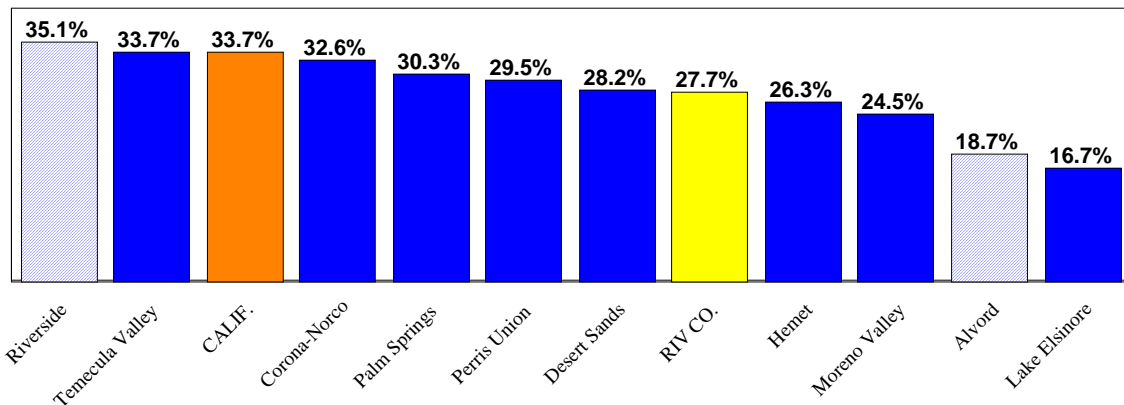
- Each year, the testing scores for California's school districts are used to create an index of how well their students are performing. Since the advent of this system, the Riverside and Alvord schools have generally improved each year at the elementary, middle and high school level. In 2004, Riverside Unified School District's scores exceeded the state: 746 vs. 735 at the elementary level; 713 vs. 703 at the middle school level and 704 vs. 670 at the high school level. The Alvord Unified School District tested below the state: 688 vs. 735 at the elementary level; 664 vs. 703 at the middle school level and 632 vs. 670 at the high school level.

**Exhibit 100.-Academic Performance Index
Riverside School Districts, 1999-2004**



Source: CA Department of Education

**Exhibit 101.-UC & CSU Eligible Class Completion
Largest Districts, Riverside County, Class of 2004**



Source: CA Department of Education

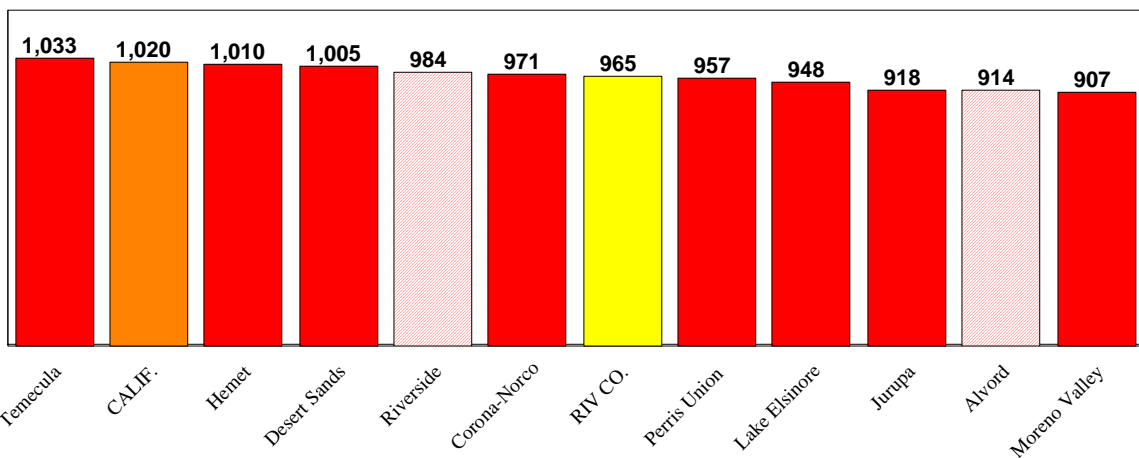
University & State University Requirements Completed, Class of 2004 . . .

- For the Class of 2004, 18.7% of Alvord's seniors and 35.1% of Riverside Unified's seniors completed the courses required for entrance into the University of California or the California State University system (*Exhibit 101*). Among large districts, Riverside's seniors led Riverside County followed by Temecula Valley (33.7%).
- The Riverside County average was 27.7%. The California average was 33.7%.

SAT Scores, Class of 2005 . . .

- Among the 45.2% of high school seniors in the Riverside district who took the Scholastic Assessment Test in 2005, the average score was 984. Their performance was fourth among the ten major districts of Riverside County (*Exhibit 102*).
- Of the 26.9% of high school seniors in the Alvord district who took the Scholastic Assessment Test in 2005, the average score was 914. Their performance was ninth among the ten major districts of Riverside County.
- The state average SAT score was 1,020. The Riverside County average was 965.

**Exhibit 102.-SAT Total Score
Largest Districts, Riverside County, Class of 2005**



Source: CA Department of Education

Exhibit 103.-STAR Tests, Scores At/Above National 50% Level, 3rd Grade Riverside County, Urban Elementary Districts, 2005

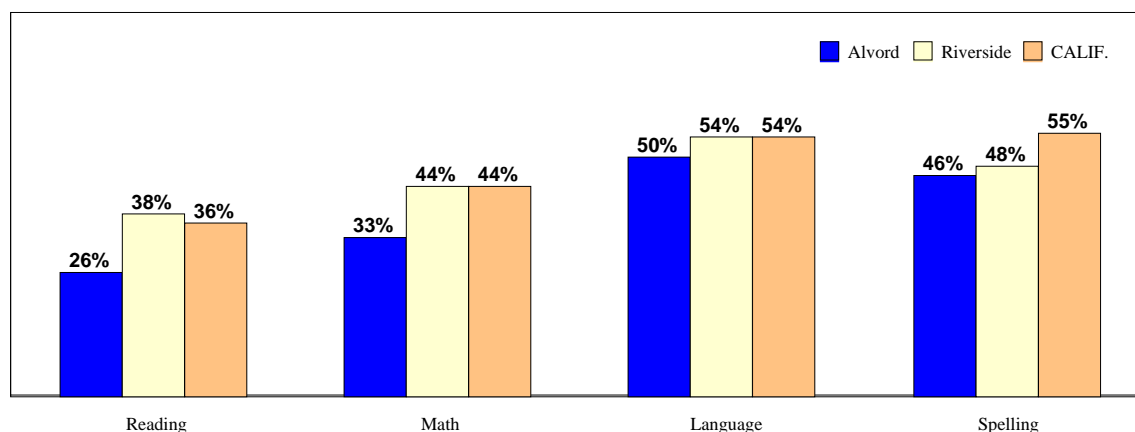
3 rd Grade	Reading	Math	Language	Spelling
Alvord	26%	33%	50%	46%
Corona-Norco	42%	49%	60%	57%
Desert Sands	33%	41%	51%	49%
Hemet	35%	47%	50%	54%
Jurupa	26%	34%	45%	41%
Lake Elsinore	37%	44%	56%	53%
Moreno Vly	26%	37%	47%	50%
Murrieta Vly	50%	59%	68%	66%
Palm Springs	26%	35%	43%	51%
Perris	16%	24%	31%	39%
Riverside	38%	44%	54%	48%
Temecula Vly	59%	64%	74%	70%
Riverside: Rank of 12 districts	4	5 Tie	5	9
Alvord: Rank of 12 Districts	11	11	7 Tie	10
RIV CO.	33%	41%	51%	51%
CALIF.	36%	44%	54%	55%

Source: CA Department of Education

Testing Scores, 3rd Graders, 2005 . . .

- Under the California Standardize Testing and Reporting (STAR), students are tested in four subjects. One reporting method is the percentage of students in a class that score at or above the 50% level among the students taking the test nationally. California students have begun testing above the national average in the 3rd grade on two of the four tests: language (54%) and spelling (55%), but below the U.S. in reading (36%) and math (44%).
- Among 3rd graders, the share of the Riverside district's 2005 students reaching the 50% threshold were a little above average for Riverside County's 12 largest districts, ranking 4th in reading, 5th in math, tying for 5th in language and at 9th in spelling (*Exhibit 103*). They were above California in reading, tied in math and language but below it in spelling (*Exhibit 104*). They only exceeded the U.S. 50% threshold in language.
- Alvord students were tied for 7th in language, and finished 10th in spelling and 11th in reading and math among the 12 large districts. They finished below the state on each test. They were at the U.S. 50% level on the language test but below it on the other three.

**Exhibit 104.-3rd Graders At or Above National 50% Level - STAR Tests
Riverside Schools & California , 2005**



Source: CA Department of Education

**Exhibit 105.-STAR Tests, Scores At/Above National 50% Level, 7th Grade
Riverside County, Urban Area High Schools, By City, 2005**

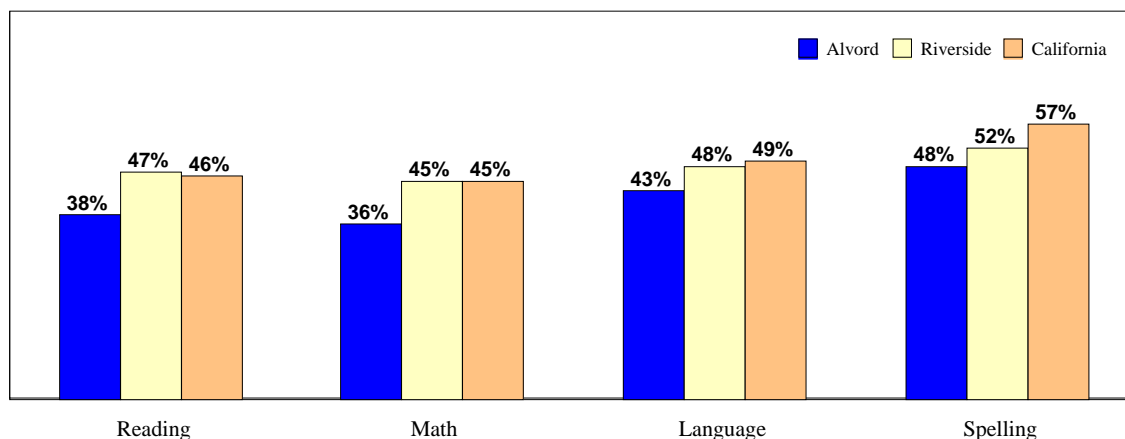
7 th Grade	Reading	Math	Language	Spelling
Alvord	38%	36%	43%	48%
Corona-Norco	50%	48%	52%	58%
Desert Sands	42%	42%	45%	51%
Hemet	41%	40%	44%	48%
Jurupa	33%	34%	43%	45%
Lake Elsinore	40%	39%	46%	53%
Moreno Vly	34%	32%	34%	45%
Murrieta Vly	63%	59%	67%	64%
Palm Springs	56%	31%	34%	46%
Perris	26%	26%	32%	46%
Riverside	47%	45%	48%	52%
Temecula Vly	63%	60%	68%	65%
Riverside: Rank of 12 districts	5	4	4	5
Alvord: Rank of 12 Districts	9	8	8	Tie 7
RIV CO.	42%	40%	45%	51%
CALIF.	46%	45%	49%	57%

Source: CA Department of Education

Testing Scores, 7th Graders, 2005. . .

- As indicated, under the California Standardize Testing and Reporting (STAR), students are tested in four subjects. One reporting method is the percentage of students in a class that scored at or above the 50% level among the students taking the test nationally. California's 7th grade students have begun testing above the national average on the spelling test (57%), but below the U.S. in language (49%), reading (46%) and math (45%).
- In 2005, among 7th graders, the percentage of the Riverside districts students reaching the 50% threshold were above average among of Riverside County's 12 largest districts, ranking 4th in math and language and 5th in reading and spelling (Exhibit 105). They tested above the California average in reading, matched it in math and below it in language and spelling. They tested above the U.S. 50% level in spelling only (Exhibit 106).
- Alvord's 7th graders tied for 7th in spelling, were 8th in math and language and 9th in reading among the 12 large Riverside County district. They finished below the national 50% threshold on the four tests and below California on each.

**Exhibit 106.-7th Graders At or Above National 50% Level - STAR Tests
Riverside Schools & California , 2005**



Source: CA Department of Education

Exhibit 107.-Higher Education Enrollment, Inland Empire, Fall 2004

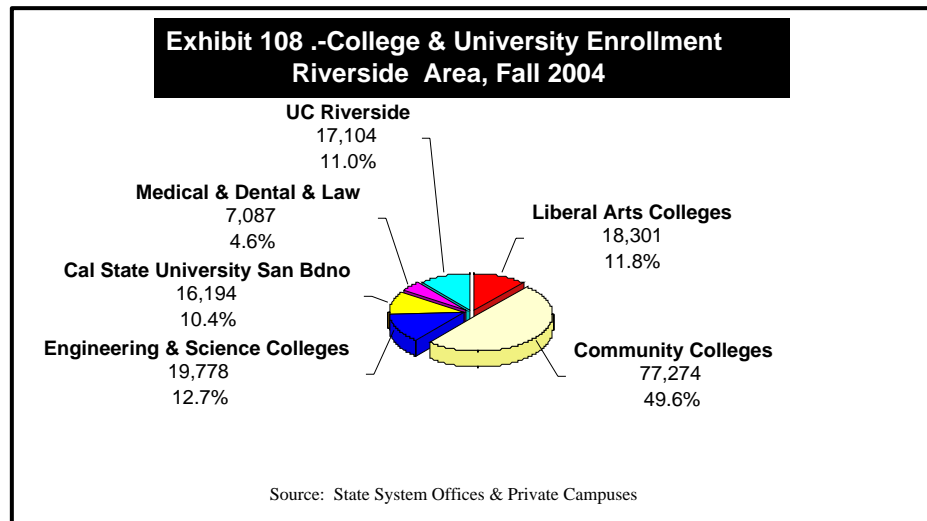
Campus	Address	City	Year	Specialty	Main Degrees	Students
California Baptist College	8432 Magnolia	Riverside	1950	Liberal Arts	Masters	2,359
California State Polytechnic Univ., Pomona	3801 W. Temple	Pomona	1838	Engineering	Masters	19,003
California State University San Bdn	5500 University Parkway	San Bdn	1960	Comprehensive	Masters	16,194
Chaffey Community College	5585 Haven Ave.	R. Cucamonga	1883	Community College	Associate	18,389
Claremont Graduate School	170 E. Tenth	Claremont	1925	Science, Liberal Arts	Ph.D.	2,013
Claremont McKenna College	500 E. Ninth St.	Claremont	1946	Liberal Arts	Bachelors	1,050
Crafton Hills College	11711 San Canyon	Yucaipa	1972	Community College	A.A.	5,640
Harvey Mudd College	301 E. 12th Street	Claremont	1955	Science	Bachelor	709
Keck Graduate Inst. of Applied Life Sciences	535 Watson Drive	Claremont	2000	Life Science	Ph.D.	66
La Sierra University	4700 Pierce	Riverside	1922	Liberal Arts	Ph.D.	1,946
Loma Linda University	11234 Anderson St.	Loma Linda	1905	Medical, Dental	Ph.D., M.D., DDS	5,317
Mt. San Jacinto Community College	1499 N. State. St.	San Jacinto	1965	Community College	Associate	12,171
Pitzer College	1050 N. Mills Ave.	Claremont	1963	Liberal Arts	Bachelors	954
Pomona College	333 N. College Way	Claremont	1887	Liberal Arts	Bachelors	1,500
Riverside Community College	4800 Magnolia	Riverside	1916	Community College	Associate	29,072
San Bernardino Community College	701 S. Mt. Vernon Ave.	San Bdn	1926	Community College	Associate	12,002
Scripps College	1030 Columbia Ave.	Claremont	1926	Liberal Arts	Bachelors	803
University of California, Riverside	900 University Ave.	Riverside	1954	Comprehensive	Ph.D.	17,104
University of La Verne	1950 Third St.	La Verne	1891	Liberal Arts	Ph.D.	3,379
School of Law	320 East "D" Street	Ontario	1985	Law	J.D.	225
University of Redlands	1200 E. Colton	Redlands	1907	Liberal Arts	Ph.D.	4,297
Western University of Health Sciences	309 E. Second Street	Pomona	1977	Medical	D.O., M.S.	1,545
Total Enrollment						155,738

Source: Statewide System Offices & Private Schools

College and University Enrollment . . .

- Riverside is near 22 public & private colleges with a total of 155,738 students in Fall 2004. There were 19,778 students (12.7%) at three top schools of science and engineering: Cal Poly Pomona, plus Claremont's Harvey Mudd College and Keck Graduate Institute of Applied Life Sciences. Another 77,274 students (49.6%) went to five comprehensive community colleges with seven campuses including Riverside Community College.
- There were 17,104 (11.0%) undergraduates and graduate students at the University of California Riverside, one of the nation's premier biomedical, agricultural and environmental research institutions. Cal State San Bernardino, the fastest growing campus in that system, had 16,194 students (10.4%).
- 18,301 students (11.8%) went to several prestigious private liberal arts colleges in or near Riverside including: Claremont Colleges, University of Redlands, University of La Verne, La Sierra University and California Baptist University. 7,087 medical and dental students (4.6%) attended Loma Linda University Medical Center, one

of the nation's top medical and dental schools, the Western University of Health Sciences in Pomona or the University of La Verne School of Law in Ontario.



University of California at Riverside (UCR) had the largest number of new Fellows in the U.S. elected to the American Association for the Advancement of Science in the past six years. This demonstrates the coming of age for what is now the fastest growing campus in the UC system. Enrollment is currently 17,104 and is projected to reach 20,000 in 2010. Scientists at the university, which was founded in 1954, are national leaders in such diverse fields as biochemistry, environmental research and technology, particle physics, multimedia technology and agricultural pest control. Meanwhile, its School of Engineering is expanding at a furious rate.



UCR has made a concerted effort to involve its faculty in assisting local firms with issues ranging from management practices to technology transfer. Its graduates, be they at the bachelors, masters, MBA or Ph.D. level, represent an outstanding pool of talent that is available to local companies. University Extension's large international program allows linkages to be made between the inland area's firms and current or future executives from around the world. University Research Park is being created to provide a place where entrepreneurs can work with professors and students from the campus to turn their knowledge into profitable, job generating activities.



California Baptist University, founded in 1950, seeks students who want to explore and expand their scholarship and leadership abilities, who will benefit from and contribute to a Christian living and learning environment, and are interested in being part of a diverse student body and campus community. The university has about 80 full-time faculty. Its 2,359 students attend classes average that average eighteen students. The school offers a Bachelor of Arts, Bachelor of Science and Bachelor of Business Administration at the undergraduate level. Graduate degree programs are available in the following areas: Master of Science-Counseling Psychology, Master of Business Administration, Master of Science-Education, Master of Arts in Education and a Teacher Education Credential.

La Sierra University, founded in 1922, offers students a diverse community of inquiry, learning, and service, rooted in the Christian gospel. The university is committed to Seventh-day Adventist values and ideals. Its mission is to seek truth enlarging human understanding through scholarship; to know ourselves broadly educating the whole student; and to serve others contributing to the good of the global community. La Sierra pursues this mission for God and society with recognized excellence, integrity, compassion and mutual respect.



La Sierra University's 13 to 1 student to faculty ratio translates into a high degree of personal interaction, small classes and mutual respect between its 1,946 undergraduate and graduate students and 110 full-time faculty members. The student body comes from 60 countries and almost every U.S. state. The university awards B.A. and B.S. degrees in a wide variety of areas ranging from biophysics to graphic design to religious studies. Graduate degrees are awarded in education, english, religious studies and business administration.



Riverside Community College was founded in 1916. This general purpose community college is headquartered in Riverside and has over 29,072 students on campuses in Riverside, Moreno Valley and Norco. Students attending the school can take transfer course work constituting the first two years of a baccalaureate degree, or two year programs leading to an Associates of Arts or Sciences degree in specific career fields. In addition, working with local employers, Riverside Community College has designed certificate classes aimed at allowing students to acquire specific skills needed for career advancement. Also, the college is increasingly involved in creating specific skill training under contract with local companies.

Exhibit 109.-Developed & Proposed Parks, Riverside, 2005

Park Name	Address	Activities	Acre
Agricultural Park	9500 Jurupa Avenue	BMX Track	63.2
Arlington Park	3860 Van Buren Blvd.	Basketball, play area, pool, tennis, BBQ, picnic, lights	4.3
Bergamont Park	9229 Bergamont Drive	Basketball, play area, picnic	5.0
Bobby Bonds Park	2060 University Ave.	Softball, basketball, football, play area, soccer, pool, tennis, volleyball, picnic, center, lights	15.1
Bordwell Park	2008 Pennsylvania Ave.	Softball, basketball, play area, BBQ, picnic, center, lights	23.0
Bryant Park	7950 Philbin Avenue	Softball, basketball, football, play area, soccer, tennis, BBQ/picnic, center, lights	20.7
Calif. Citrus State Park	2200 Van Buren Blvd.	Citrus groves, historic buildings, picnic area, interpretive center	400.0
Carlson Park	4700 Buena Vista Dr.	Picnic	1.8
Castlevew Park	Westview Dr./Century	Play area	26.6
Collett Park	10950 Collett Avenue	Basketball, play area, volleyball	5.6
Don Derr Park	3003 Monroe Street	Softball, basketball, football, play area, soccer, BBQ, picnic, lights	23.6
Fairmount Park	2601 Fairmount Blvd.	Lake, boating, basketball, play area, tennis, volleyball, picnic/BBQ, center	165.3
Harrison Park	2851 Harrison Street	Play area, volleyball, BBQ, picnic	6.2
Highland Park	780 Glenhill Drive	Basketball, play area, BBQ, picnic, lights	7.1
Hunt Park	4015 Jackson Street	Softball, basketball, football, play area, soccer, pool, volleyball, BBQ, picnic, center, lights	13.7
Hunter Park	1400 Iowa Avenue	Softball, picnic	35.8
Islander Park	3794 Mt. Vernon Ave.	Play area, pool, volleyball	22.1
Don Jones Park	3995 Jefferson Street	Softball, football, soccer, picnic, lights	6.0
La Sierra Park	5205 La Sierra Avenue	Softball, basketball, football, play area, BBQ, picnic, center, lights	28.1
Lincoln Park	4261 Park Avenue	Basketball, play area, center, picnic, lights	3.7
Don Lorenzi Park	4230 Jackson Street	Softball, football, soccer, BBQ, picnic, lights	9.1
Loring Park	3787 Buena Vista Dr.	Open Space	2.8
Low Park	7101 Magnolia Ave.	Picnic, site of first Navel Orange Tree	1.2
Mt. Rubidoux Park	4706 Mt. Rubidoux	Trail, look out, picnic	152.9
Mountain View Park	6241 Wiehe Avenue	Basketball, play area, BBQ, picnic	5.7
Myra Linn Park	4540 Meredith Street	Play area, tennis, BBQ, picnic, lights	8.5
Mt. Vernon Park	3200 Valencia Hill	Open Space	8.3
Nichols Park	5505 Dewey Avenue	Softball, basketball, football, play area, picnic, center, lights	16.6
North Park	3172 Seventh Street	Picnic	1.4
Orange Terrace Community	20010 Orange Terrace	Picnic, shelter, lighted softball fields, tennis,	30.0
Patterson Park	1846 Linden Street	Softball, football, play area, soccer, BBQ, picnic, lights	4.6
Rancho Loma Park	11343 Rancho Loma Dr.	Play area, volleyball, BBQ, picnic	6.5
Reid Park	701 North Orange St.	Softball, basketball, football, play area, soccer, pool, tennis, BBQ, picnic, center, lights	41.0
Riverside Sports Center	1014 Blaine Street	Softball, football, soccer, lights	17.7
Rutland Park	7000 Rutland Avenue	Basketball, play area, volleyball, BBQ, picnic	8.8
Shamel Park	3650 Arlington Ave.	Softball, football, play area, soccer, pool, tennis, BBQ/picnic, center, lights	10.0
Streeter Park	6778 Streeter Avenue	Goske Center	11.0
Swanson	5723 Glenhaven Ave.	Picnic	1.2
Sycamore Cyn. Wilderness	5300 Central Ave.	Open space, trails	1,550.0
Taft Park	6826 New Ridge Dr.	Basketball, play area, tennis, picnic, lights	7.0
Thundersky Park	20440 Thundersky Cir.	Softball, play area, volleyball, picnic	4.6
UCR Botanic Garden	UCR Campus	Botanic garden, scenic trails	39.0
Dario Vasquez Park	2400 14th Street	Softball, basketball, play area, tennis, BBQ, picnic	1.8
Villegas Park	7262 Marguerita Ave.	Softball, basketball, football, play area, soccer, pool, BBQ, picnic, center, lights	18.1
Washington Park	2769 Mary Street	Play area, BBQ, picnic	4.1
White Park	3936 Chestnut Street	Center, picnic	6.0
Developed Park Acre (46)			2,844.8
People Per Acre	Population	285,537	100.4

Exhibit 109.-Developed & Proposed Parks, Riverside, 2005 (continued)

Park Name	Address	Activities	Acre
Andulka Park	5079 Chicago Avenue		37.0
Challen Park	4602 Challen Avenue		26.6
Golden Park	Golden Ave. at Campbell		22.0
Newman Park	3780 14th Street		0.4
Sycamore Highland	Fair Isle Dirve		11.1
Tequesquite	4825 Tequesquite Avenue		42.9
Victoria/Cross	Victoria Avenue at Cross		7.2
Proposed Parks (7)			147.2
Total Park Acres (53)			2,992.0

Source: Riverside Parks & Recreation

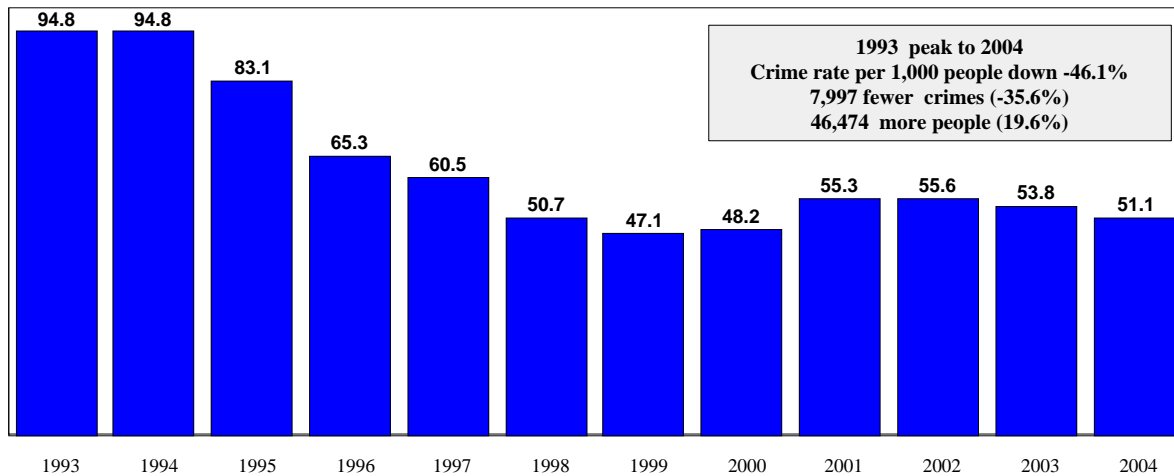
Park & Recreation Facilities . . .

- Riverside has an extensive number of developed parks, **46** in all, totaling **2,844.8** acres (*Exhibit 109*). Land has been set aside for another seven parks with 147.2 acres. The total will be **53** facilities and **2,992.0** acres.
- With a 2005 population of 285,537 Riverside had just 100.4 people per acre of developed park land. This represents the most park land per city resident found among major Inland Empire cities.
- The variety of opportunities afforded by the city's park system is extensive. Facilities provide for the full range of team and individual sports activities such as baseball, basketball, soccer, football, volleyball, tennis and swimming. Families find numerous outlets for barbequing and picnicking.
- There are parks and open spaces offering a menu of specialized opportunities:
 - Hiking in the 1,550 acre Sycamore Canyon Wilderness Area,
 - Strolling through the 39 acre UCR Botanic Gardens,
 - Rowing on the lake in Fairmount Park,
 - Learning about the city's history in the 400 acre California Citrus State Historic Park.
- Riverside has an extensive network of community centers offering youth and senior activities.



California Citrus Historical State Park

**Exhibit 110.-Major Crimes Per 1,000 People
Riverside, 1993-2004**



Source: U.S. Department of Justice, Uniform Crime Report

Crime Rate, 1993-2004 . . .

- Riverside's crime rate has fallen **46.1%** between its peak in 1993 at 94.8 incidents per 1,000 people, and 2004 when it was 51.1 crimes per 1,000 residents (*Exhibits 110-111*).
- The rapid decline occurred because Riverside had 7,997 fewer crimes reported (-35.6%) between 1993 and 2004 even though its population increased by 46,474 people (19.6%).
- For the year 2004, the crime rate per 1,000 people fell 5.0% (*Exhibit 111*). Both violent and property crime fell within Riverside from 2002-2003.

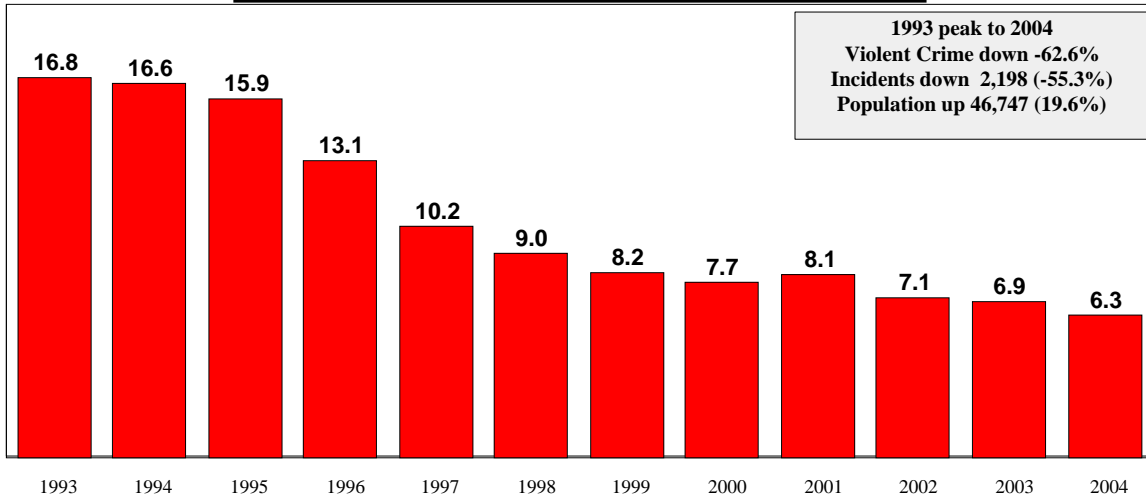
**Exhibit 111.-Crime Rate Per 1,000 People, By Type
Riverside, 1993-2004**

Crime	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Murder	33	37	34	18	23	17	30	17	20	23	24	17
Forcible Rape	131	134	117	115	97	87	77	84	95	88	102	90
Robbery	1,287	1,220	1,010	874	757	698	628	613	622	609	573	563
Aggravated Assault	2,524	2,558	2,648	2,162	1,624	1,443	1,329	1,282	1,422	1,225	1,217	1,107
Burglary	4,975	5,022	4,232	2,894	2,772	2,348	2,250	2,156	2,225	2,518	2,194	2,372
Larceny Theft	9,635	9,453	8,545	7,121	7,087	5,908	5,733	6,304	7,896	8,099	8,098	7,608
Motor Vehicle Theft	3,562	3,916	3,097	2,309	2,230	1,872	1,618	1,821	2,238	2,467	2,599	2,517
Arson	338	277	244	289	217	209	246	195	220	207	231	214
TOTAL	22,485	22,617	19,927	15,782	14,807	12,582	11,911	12,472	14,738	15,236	15,038	14,488
Population	237,200	238,500	239,750	241,850	244,750	248,250	252,683	258,739	266,658	274,266	279,669	283,674
Crime Per 1,000	94.8	94.8	83.1	65.3	60.5	50.7	47.1	48.2	55.3	55.6	53.8	51.1
		0.0%	-12.4%	-21.5%	-7.3%	-16.2%	-7.0%	2.3%	14.7%	0.5%	-3.2%	-5.0%

Note: Population Revised by CA Department Of Finance, 2005

Source: U.S. Department of Justice, Uniform Crime Report, CA Department of Finance

**Exhibit 112.-Violent Crime Per 1,000 People
Riverside, 1993-2004**

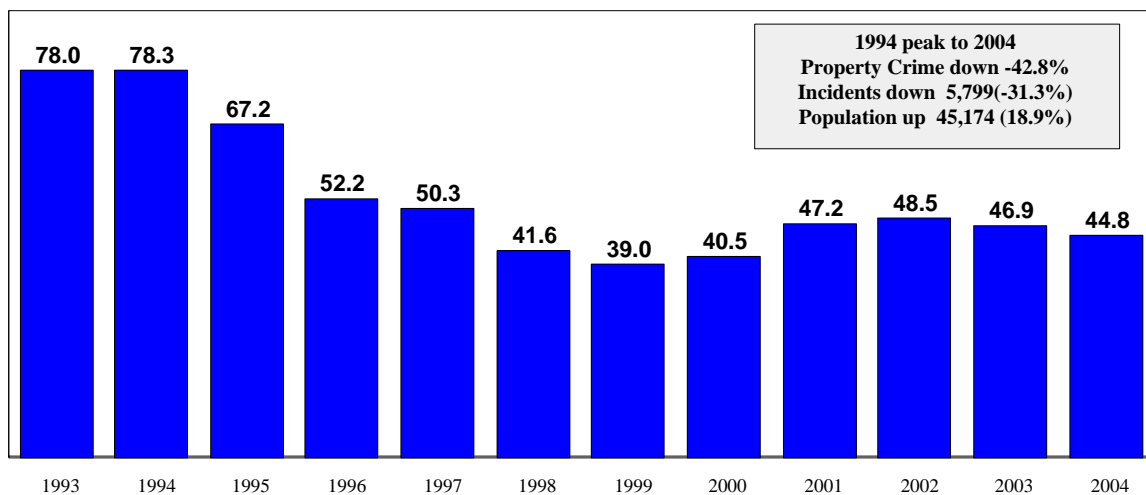


Source: U.S. Department of Justice, Uniform Crime Report

Falling Violent & Property Crime Rates, 1993-2004 . . .

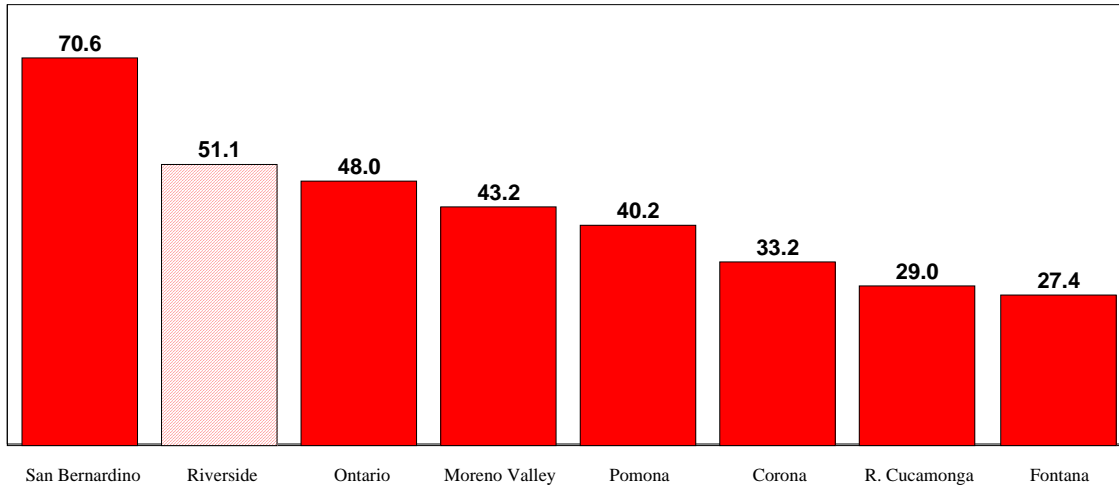
- From 1993-2004, there was a **62.6% decline** in Riverside's violent crime rate per 1,000 residents, from 16.8 to 6.3 (*Exhibit 112*). The number of actual homicides, rapes, robberies and felony assaults dropped by 2,198 incidents (-55.3%). At the same time, the population increased by 46,747 people (19.6%) (*population is the average for January 1st, before and after the year*).
- Riverside's property crime rate per 1,000 peaked at 78.3 in 1994 and was 44.8 in 2004, **down 42.8%** (*Exhibit 113*). There were 5,799 fewer burglaries, motor vehicle thefts, felony larcenies and arsons (-31.3%) from 1993-2004, even though the city had added 45,174 more people (18.9%).

**Exhibit 113.-Property Crime Per 1,000 People
Riverside, 1993-2004**



Source: U.S. Department of Justice, Uniform Crime Report

**Exhibit 114.-Major Crime Per 1,000 People
Inland Empire Cities Over 100,000, 2004**



Source: U.S. Department of Justice, Uniform Crime Report

Crime Rates Compared, 2004 . . .

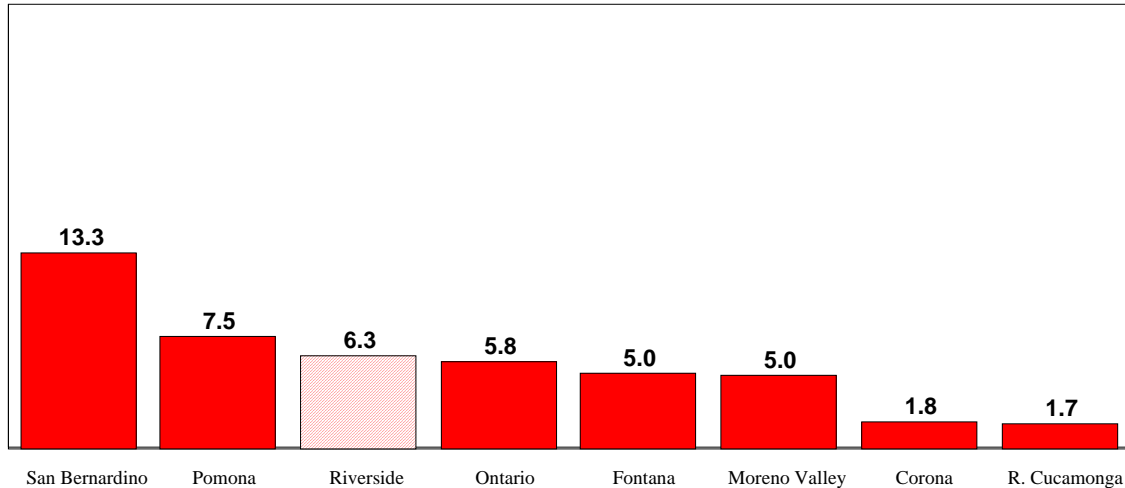
- With 51.1 incidents per 1,000 people in 2004, Riverside ranked second among Inland Empire cities with over 100,000 people (*Exhibit 114*). The city was well below San Bernardino (70.6) and just above Ontario (48.0).
- Exhibit 115 shows the breakdown of major crimes by category reported to the U.S. Justice Department each year. The data is for 2004. It includes four categories of violent crime: homicide, forcible rape, robbery and felony assault. It includes three categories of property crime: burglary, larceny theft and vehicle theft. To generate a crime rate per 1,000 people, the average population for January 1, 2004 to 2005 from the CA Department of Finance was used.

**Exhibit 115.-Major Crimes, By Type, 2004
Inland Empire Cities Over 100,000**

City	Homicide	Forcible Rape	Robbery	Felony Assault	Burglary	Larceny Theft	Vehicle Theft	Arson	Total	People	Per 1,000
Corona	5	19	116	129	901	2,796	830	57	4,853	17.1	283,674
Fontana	9	51	236	495	725	1,381	1,413	23	4,333	27.4	157,882
Moreno Valley	9	50	355	389	1,561	3,492	1,118	14	6,988	43.2	161,597
Ontario	7	88	352	543	980	4,053	2,058	69	8,150	48.0	169,667
Pomona	21	50	349	784	1,013	2,630	1,543	19	6,409	40.2	159,618
R. Cucamonga	4	22	97	140	801	2,747	778	19	4,608	29.0	158,777
Riverside	17	90	563	1,107	2,372	7,608	2,517	214	14,488	51.1	283,674
San Bernardino	50	96	959	1,530	2,543	5,508	3,248	91	14,025	70.6	198,630

Source: U.S. Justice Department, Uniform Crime Report
CA Department of Finance, Revised Population Estimates, 2005

**Exhibit 116.-Violent Crime, Per 1,000 People
Inland Empire Cities Over 100,000, 2004**

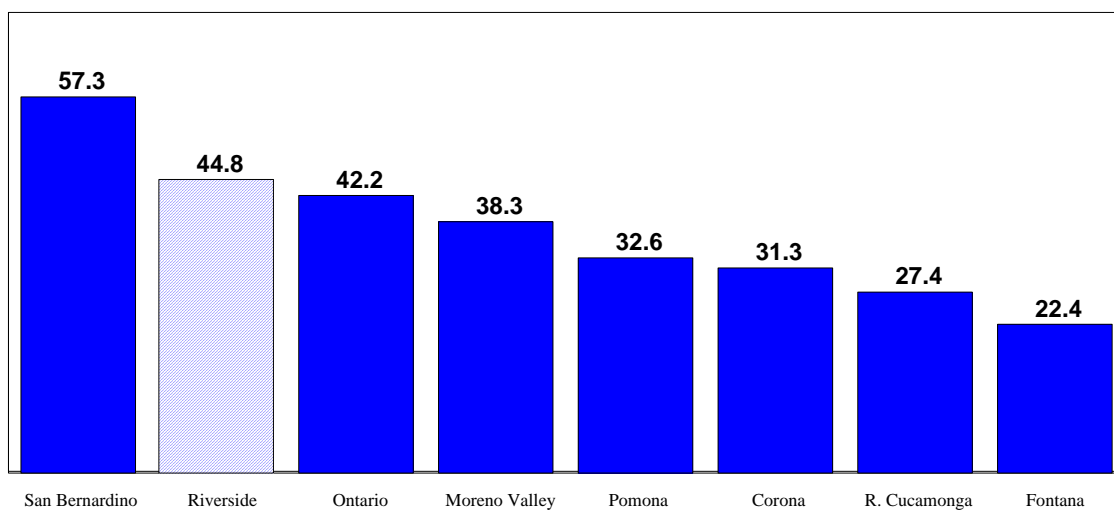


Source: U.S. Department of Justice, Uniform Crime Report

Crime Rates Compared, 2004 . . .

- During 2004, Riverside's violent crime rate of 6.3 per 1,000 residents was below those of San Bernardino (13.3) and Pomona (7.5) and just above Ontario (5.8) (*Exhibit 116*).
- Riverside's 2004 property crime rate of 44.8 per 1,000 residents ranked second in this group of cities. It was just above Ontario (42.2) and well below San Bernardino (57.3) (*Exhibit 117*).

**Exhibit 117.-Property Crime, Per 1,000 People
Inland Empire Cities Over 100,000, 2004**



Source: U.S. Department of Justice, Uniform Crime Report

RIVERSIDE

SECTION 9

INLAND EMPIRE MARKET

To understand the forces affecting Riverside, it is necessary to review the conditions that are causing the Inland Empire to be one of America's fastest growing places. From 2000-2020, the area's population is expected to go from 3.2 million to 5.0 million, up 1.8 million. That is more people than will be added by 43 of the 50 states (*Exhibit 118*). Interestingly, the region is expected to add just a few less people than Los Angeles County (*1.9 million*) and more than San Diego, Orange, Ventura and Imperial counties combined (*1.5 million*) (*Exhibit 119*).

As a separate state, the Inland Empire's January 2005 population of 3.8 million people was above 24 states, having passed Oregon (*3.6 million*), Oklahoma (*3.5 million*) and Connecticut (*3.5 million*) (*Exhibit 120*). U.S. Commerce Department data showed the Inland Empire with \$89 billion in total personal income during 2003 (*Exhibit 121*). That is above Iowa and more than 21 states.

Why Are The Inland Empire's Numbers So Strong? Researchers attribute the Inland Empire's strong performance to the way Southern California's geography and economic behavior interact. Since World War II, the Southland has grown outward from central Los Angeles. At various times, this has made places like Orange County and the San Gabriel Valley metaphors for West Coast growth. Inevitably, once coastal county congestion caused their land and space costs to rise, this activity was forced into the Inland Empire.

Southern California Job Creation Leader. This pattern underlies the Inland Empire's job performance. From 1990-1994, Southern California suffered a severe recession and decline in employment. However, there was no period when the Inland Empire's employment stopped growing. Thus, from 1990-2005, the region added 455,944 jobs versus 310,063 in San Diego County and 306,563 in Orange County. It is also forecasted to add more jobs from 2000-2020 (805,286) than San Diego, Orange, Ventura and Imperial counties combined. In 2004, its 49,092 new jobs were equal to Orange and San Diego counties combined. L.A. added 8,900 (*Exhibits 122-15*).

Inexpensive Land. In part, the development of the Inland Empire is occurring because it is the last area of Southern California to have large amounts of undeveloped land along urban transportation corridors. This available "dirt" creates a location advantage for both high-end and affordable home buyers and industrial/commercial developers. Put simply, space is available and less expensive in the Inland Empire, thus the homes and buildings constructed on it sell or lease for much less than in neighboring Los Angeles, Orange and San Diego counties.

Lower Residential Prices. The heavy urbanization of Los Angeles, Orange and San Diego counties has left them with little undeveloped land. Their 3rd quarter 2005 median priced homes thus reached extraordinary levels: Los Angeles (\$481,000), San Diego (\$520,000), Orange (\$660,000) (*Exhibit 126*). All kinds of families are thus being forced to migrate to the more reasonably priced Inland Empire (\$363,000). This has increasingly included large numbers of professionals, technicians and executives who are migrating to the area's rapidly growing base of upscale neighborhoods designed specifically to accommodate them.

Lower Cost Business Space. The Inland Empire's industrial property, much of which is new, enjoys a similar price advantage. In 2005, 350,000 square feet of space leased for \$1,582,000 a year. That was a savings of \$392,000 to \$1,900,000 compared to the various sub-markets of the coastal counties (*Exhibit 127*). Also, 10,000 square feet of office space leases for \$228,000 a year, a savings of \$10,000 to \$85,200 compared to other Southern California areas. With the lowest suburban office vacancy rate (7.4%) in the U.S., the migration of office users to the inland area is causing new buildings to go up in the area's major centers.

Labor Cost Savings. The Inland Empire's rapid population growth has created a less obvious advantage for firms locating in cities like Riverside. People will work for less to avoid commuting to coastal counties. In 2002, 31% of commuters to Orange County would take 15% less pay for an inland job. Some 23% of those commuting to L.A. County would take 10% less (*Exhibits 128-129*). These are a powerful incentive for firms to migrate inland.

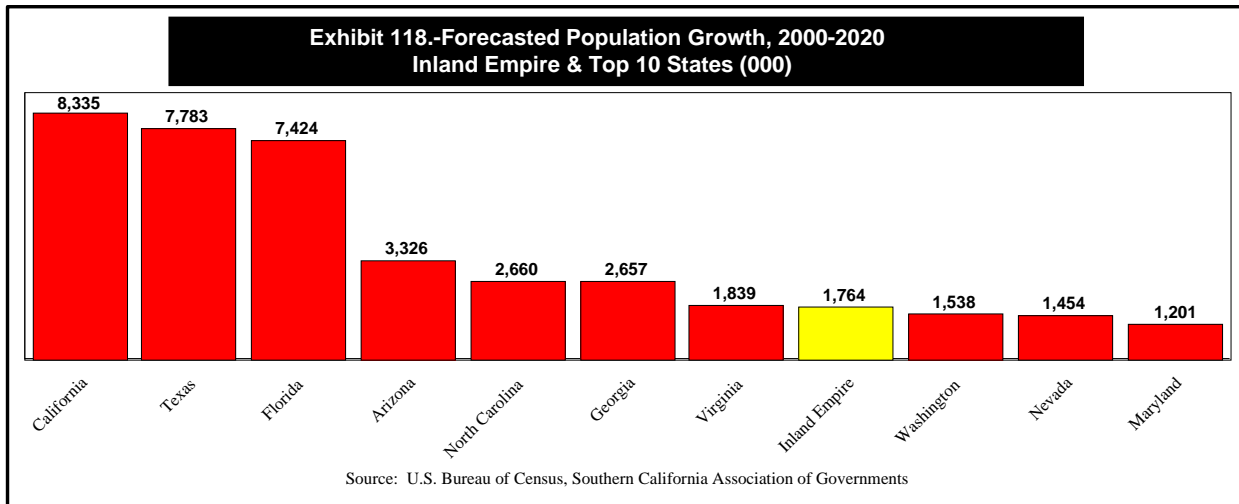
Logistics Advantages. Nearly all cargo that flows into and out of Southern California passes through the Inland Empire because Cajon Pass (*I-15, BNSF railroad*) and San Geronio Pass (*I-10, UP railroad*) are the principal trucking and rail routes to the balance of the United States. Even cargo leaving San Diego County must move up the I-15 freeway. This location advantage, combined with available inexpensive land, has made this region the Southland's new logistics capital. Firms save time in getting their products to market by locating within the region.

BNSF Railroad has a major intermodal railroad yard in San Bernardino with volume of 557,170 container lifts in 2004. Strong demand is forcing them to double that capacity (*Exhibit 130*). Union Pacific Railroad has its main switching yard in Colton and is seeking an intermodal site and both seek an "inland port". Meanwhile, most of Southern California's Less Than Load (LTL) trucking firms have their cargo sorting facility in the inland area (*Exhibit 131*). And, UPS (*Ontario International Airport*) and Federal Express Ground (*Rialto*) process most of their Southern California cargo in the area. DHL just opened its western regional hub at March Air Reserve Base. Finally, Ontario International Airport is the second largest air cargo airport in the Southland behind LAX with volume of 564,000 tons estimated for 2005. It is also the second busiest air passenger facility, handling 7.2 million people in 2005. Its volume is forecasted to reach 30 million passengers in 2022 (*Exhibits 132-133*).

Other: Air Quality, Climate. Air quality in the Inland Empire has improved dramatically with smog levels over the federal limit dropping from 195 days in 1977 to 30 in 2005 (*Exhibit 134*). Often, people and firms locate in Southern California for its extraordinary climate. The Riverside area's wintertime temperature falls to an average of just 58 degrees. Its summer average high is 98 degrees in July (*Exhibit 135*).

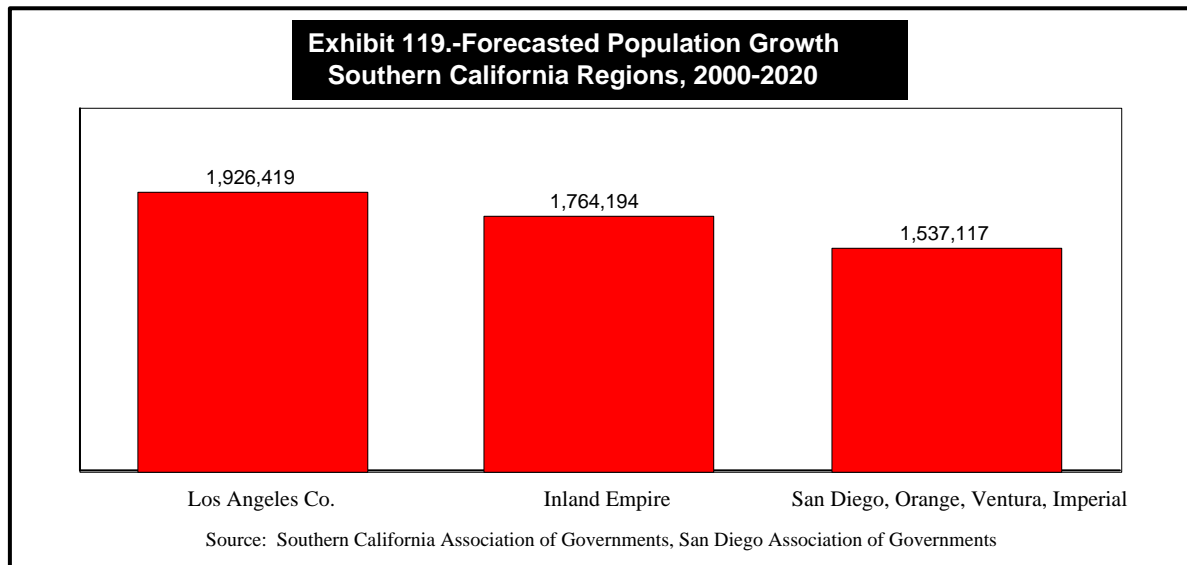
These location advantages have caused firms to flock to the Inland Empire. From 1994 to March 2005, 1,254 firms either moved to the region from Los Angeles, San Diego and Orange County, put their new expansions in the area, or moved locally to add space and employees. Some 124 of these firms have located in Riverside.

Summary. It is impossible to review the economic forces affecting Riverside and the inland region without being optimistic. The area's location, competitive cost structure and sophisticated logistics have made it one of the nation's fastest growing population centers and Southern California's top job generator. Firms needing to locate in the midst of California's booming economy while avoiding its higher costs of doing business are finding it an excellent place to locate.

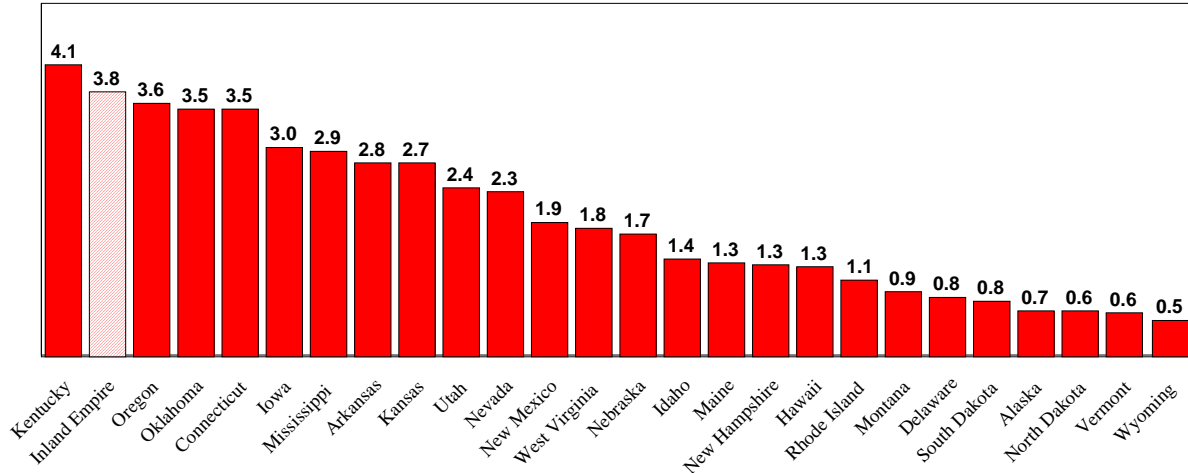


Inland Empire Population Growth . . .

- Riverside is a key city in the Inland Empire, an area expected to add 1.76 million people from 2000-2020 (*Exhibit 118*). That is more new people than will be added by all but seven U.S. States led by California (8.3 million), Texas (7.8 million) and Florida (7.4 million).
- From 2000-2020, the Inland Empire will increase from 3.2 million to 5.0 million residents as a result of its 1.76 million new residents.
- Within Southern California, the Inland Empire's 2000-2020 population growth of 1.76 million will be somewhat less than Los Angeles County (1.92 million) but greater than all of Southern California's other markets. In fact, the inland region's growth will be more than the 1.54 million expected to be added by San Diego (714,800), Orange (567,277), Ventura (171,127) and Imperial (122,872) counties combined (*Exhibit 119*).



**Exhibit 120.-Total Population (millions)
Inland Empire As A State, January 2005**

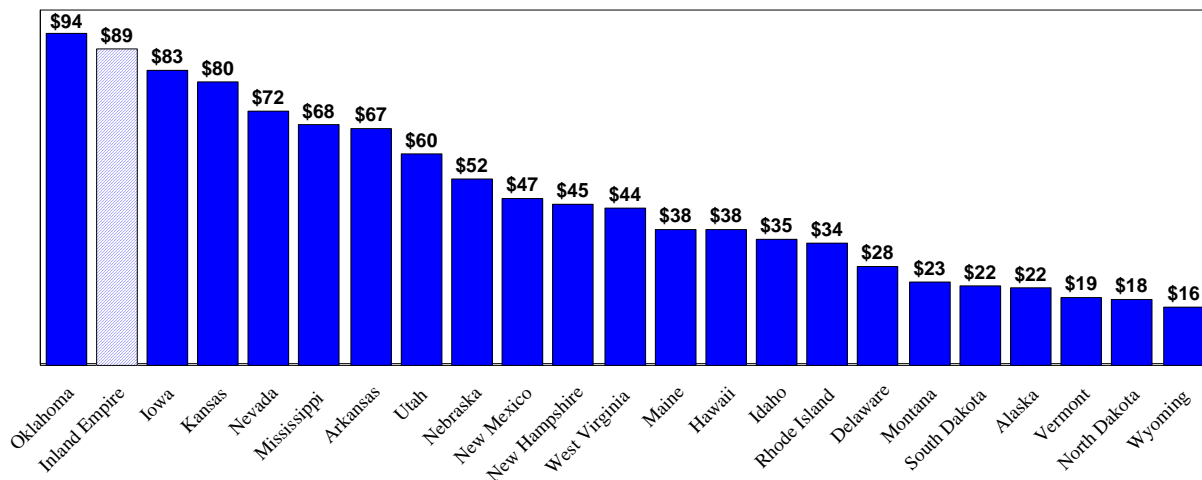


Note: Kentucky Ranked 26th
Source: U.S. Department of Commerce

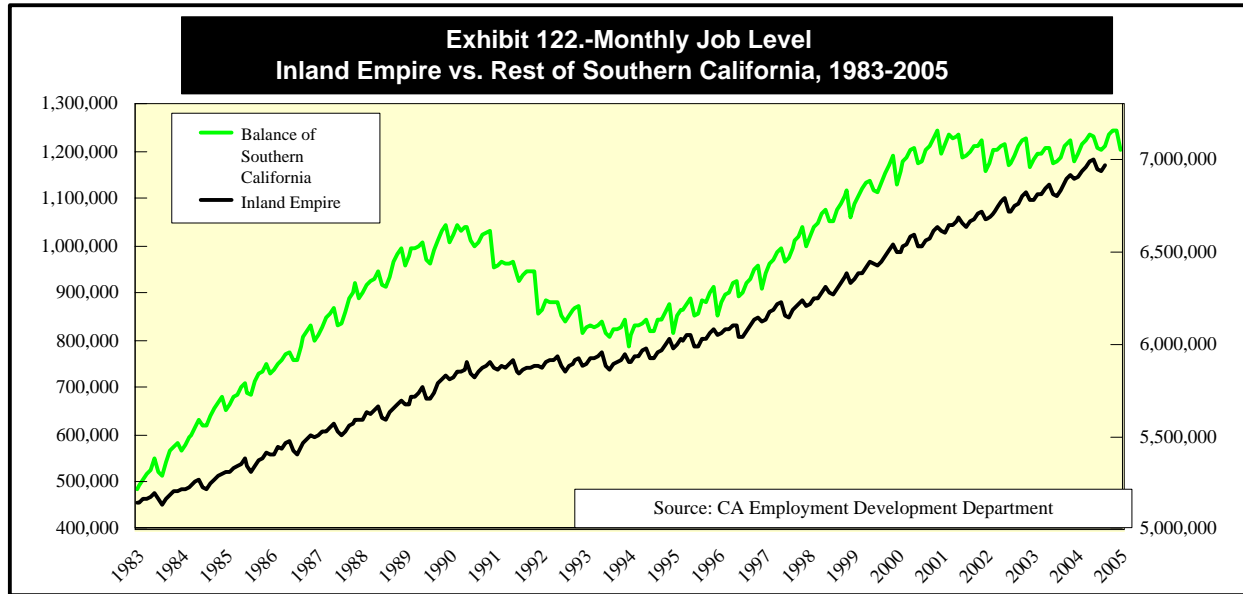
Inland Empire As A State . . .

- In mid-2004, the Inland Empire's population of 3.8 million was larger than 24 states, now ahead of Oregon (3.6 million), Oklahoma (3.5 million) and Connecticut (3.5 million). It has to pass Kentucky (4.1 million) to be larger than half the U.S. states (Exhibit 120).
- In 2003, the Inland Empire's total personal income of \$89 billion was larger than 21 states. The next largest state was Iowa (\$83 billion). The region's income was behind Oklahoma's \$94 billion (Exhibit 121).

**Exhibit 121.-Total Personal Income (billions)
Inland Empire As A State, 2003**

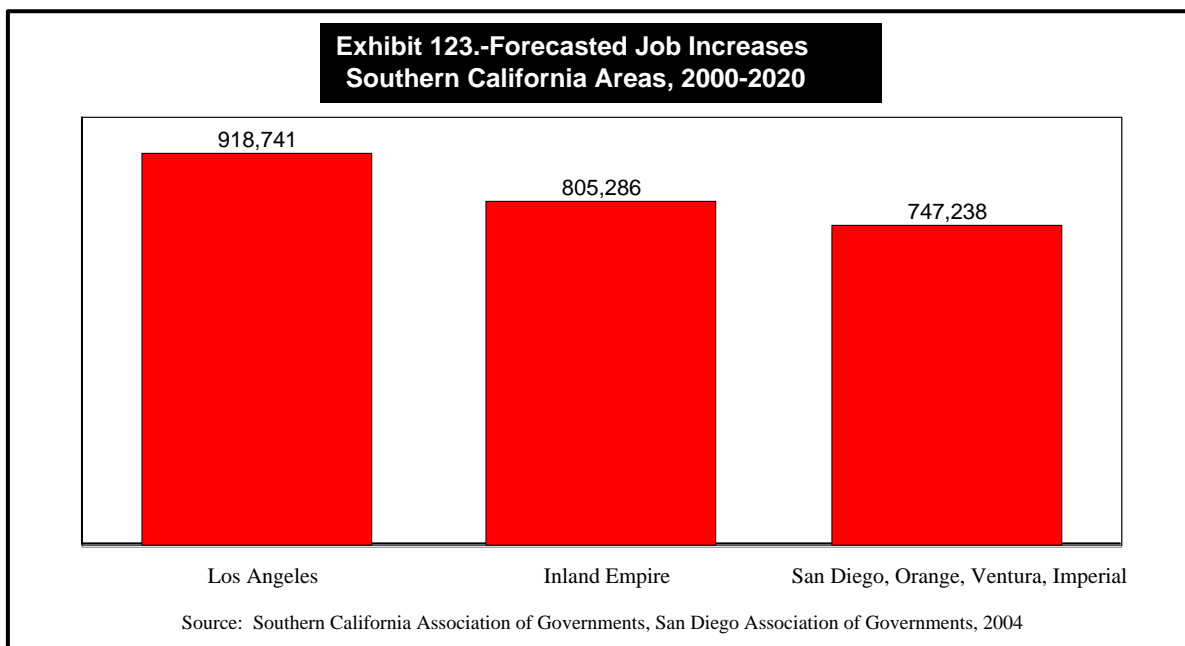


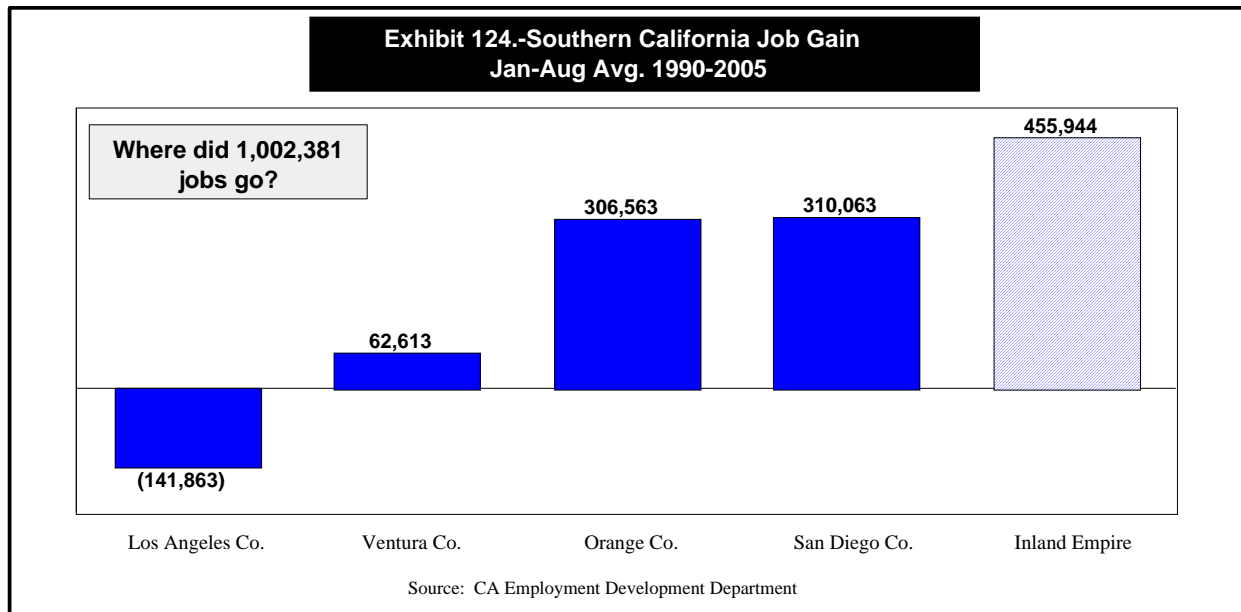
Note: Oklahoma ranked 29th
Source: U.S. Bureau of Economic Analysis



Inland Empire & Southern California Job Growth Pattern . . .

- Riverside's prosperity is, in part, conditioned by the Inland Empire's very strong economic environment.
- From 1990-1994, the Inland Empire economy added jobs slowly at a time when Southern California as a whole was suffering a severe recession and steep decline in employment (*Exhibit 122*). From 1994-2000, the Inland Empire economy added jobs at a rapid rate as Southern California moved from a period of contraction into one of economic recovery and rapid expansion. In 2001-2004, the Inland Empire's job growth continued uninterrupted while growth in the balance of Southern California faltered again.
- From 2000-2020, the Southern California Association of Governments forecasts that the Inland Empire will add 805,286 jobs. In this period, Los Angeles County will grow by 918,741. However, the inland region will add more jobs than the 747,238 expected in Orange, San Diego, Ventura and Imperial counties combined (*Exhibit 123*). In 2004, the inland area added 49,092 jobs which was equal to the gains in Orange & San Diego counties combined. Los Angeles added just 8,958.

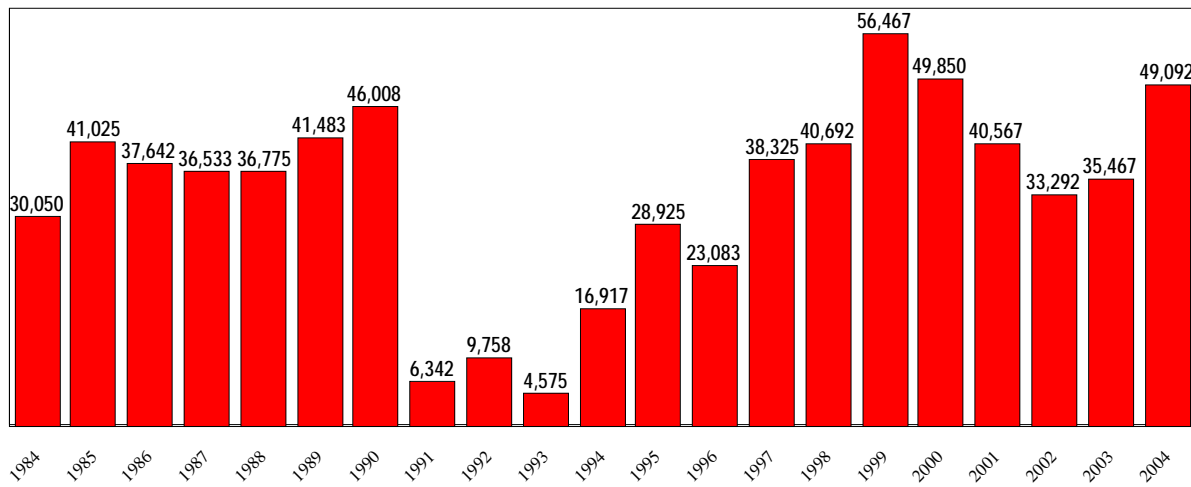




Inland Empire & Southern California Employment, 1990-2005 . . .

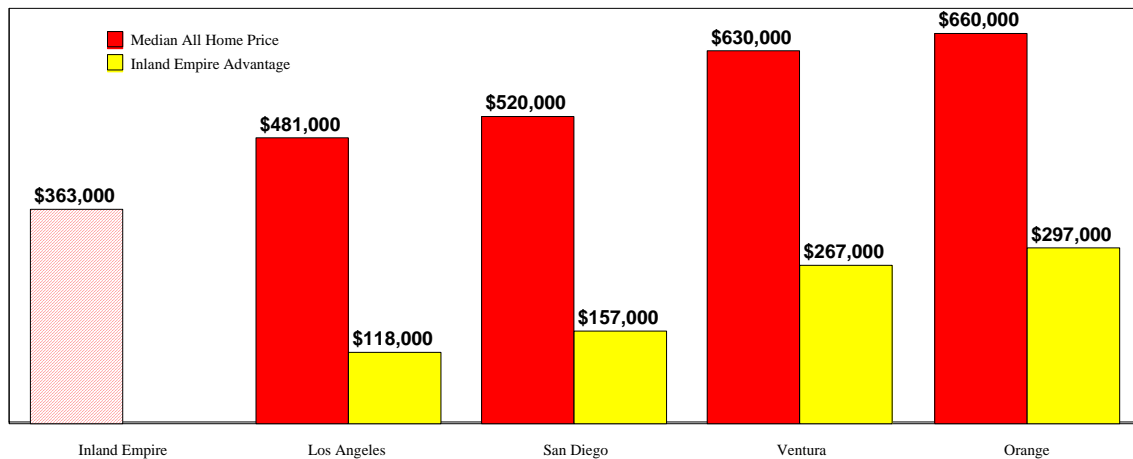
- Riverside's economy blossomed, in part, because the Inland Empire has outperformed every other sub-market of the Southern California economy.
- Comparing average employment from 1990 to 2005, the Inland Empire rose 455,944 jobs (*Exhibit 124*). Second place San Diego County gained 310,063. Orange County was up 306,563. In sharp contrast, Los Angeles County was still 141,863 jobs below its 1990 level.
- Despite having the smallest economy, the Inland Empire has been Southern California's absolute leader in job creation for the past fifteen years, exceeding second place San Diego County by 145,882.
- In the late 1980's, the Inland Empire produced jobs in the 36,000 to 40,000 range. The region exceeded this range in 1999-2000, adding roughly 110,000 jobs in two years. Despite the U.S. and California slowdowns, the Inland Empire added 40,567 in 2001 and 33,292 in 2002. In 2003, the Inland Empire's job base expanded to reached 35,467 (*Exhibit 125*). In 2004, the Inland Empire added its third greatest number of jobs, rising by 49,092 despite no growth in its governmental sectors. That was 35.2% of all jobs added in California (139,467).

**Exhibit 125.-Employment Growth
Inland Empire, 1984-2004**



Source: CA Employment Development Department

**Exhibit 126.-Home Price Advantage, Inland Empire & So. California Markets
Median Priced New & Existing Home, 3rd Quarter 2005**



Source: Dataquick

Inland Empire Space Cost Advantage . . .

- Inland Empire job creation has exceeded Southern California averages because people and firms have moved to the area due to its cost advantages. These start with housing costs. The heavy urbanization of Los Angeles, Orange and San Diego counties has left them with little undeveloped land. As a result, their 3rd quarter 2005 median priced homes have reached extraordinary levels: Los Angeles (\$481,000), San Diego (\$520,000), Orange (\$660,000) (Exhibit 126). This is forcing all kinds of families to migrate to the more reasonably priced Inland Empire (\$363,000). This has included huge numbers of professionals, technicians and executives migrating to the area's rapidly growing base of upscale neighborhoods designed specifically to accommodate them.
- Industrial firms often find that the Inland Empire is the only place where large new facilities can be constructed. At \$0.38 per foot/month (350,000 square feet is \$1,582,000 a year), these facilities are leasing for substantially less than space in older coastal county sub-markets (\$392,000 to \$1,900,000 savings a year). The Inland Em-

Inland Empire Market

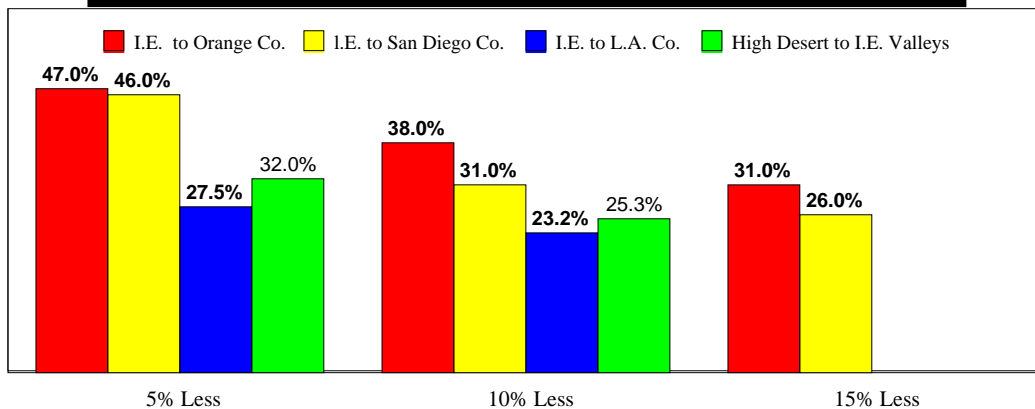
pire also offers office space cost savings (*Exhibit 127*). Thus, 10,000 square feet in the area leases for an average of \$228,000 (\$1.90 sq. ft./mo.) or \$10,000 a year below the cheapest alternative: central Orange County.

Exhibit 127.-Industrial/Commercial Space Cost, So. Calif., June 2005

Industrial			Commercial Office		
Market	Lease Rate	350,000 Sq. Ft./Year	Market	Lease Rate	10,000 Sq. Ft./Year
Orange-South	\$0.83	\$3,486,000	Downtown Los Angeles	\$2.61	\$313,200
SDiego-Escondido	\$0.82	\$3,444,000	San Diego-San Marcos	\$2.55	\$306,000
SDiego-San Marcos	\$0.75	\$3,150,000	John Wayne Airport	\$2.54	\$304,800
Orange-Airport	\$0.70	\$2,940,000	Burbank-Glendale-Pasadena	\$2.52	\$302,400
Orange-West	\$0.67	\$2,814,000	South Orange Co.	\$2.49	\$298,800
L.A. – North	\$0.63	\$2,646,000	San Diego-Escondido	\$2.22	\$266,400
SDiego-Vista	\$0.63	\$2,646,000	Orange-North	\$2.17	\$260,400
L.A. – South Bay	\$0.59	\$2,478,000	San Gabriel Valley	\$2.16	\$259,200
Orange-North	\$0.55	\$2,310,000	West Orange Co.	\$2.14	\$256,800
LA-Central	\$0.49	\$2,058,000	South Bay	\$2.04	\$244,800
L.A. - Mid Cities	\$0.48	\$2,016,000	Central Orange Co.	\$1.99	\$238,800
San Gabriel Vly	\$0.47	\$1,974,000	Inland Empire	\$1.90	\$228,000
Inland Empire	\$0.38	\$1,582,000	San Diego-Vista	\$1.65	\$198,000

Source: Grubb & Ellis

**Exhibit 128.-Percent Willing To Work For Less Locally
Inland Empire Commuters, 2002**



Source: San Bernardino Associated Governments, Western Riverside Council of Governments

Inland Empire Labor Cost Advantage . . .

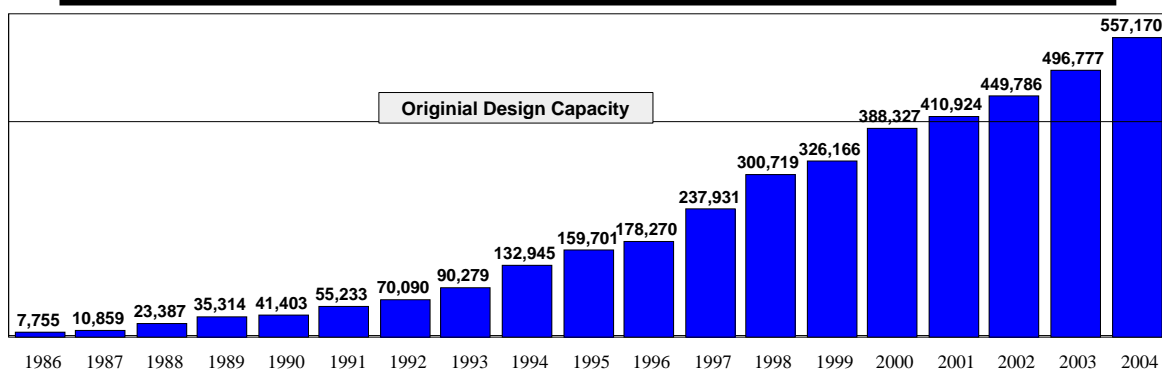
- People living in the Inland Empire prefer to work in the Inland Empire. They dislike the long commutes to Orange or Los Angeles counties. They do not like the long hours away from their families. Economically, they realize that their average work week is much more than 40 hours if their driving time is included.
- Some 31% of workers commuting to Orange County on the SR-91 will take 15% less pay at a local job. Of those driving to San Diego County on the I-5, 26% would take 15% less for a local job (*Exhibit 128*). Of the workers driving west on the I-10, SR-60 or I-210 to L.A. County, 23.2% would take 10% less pay for an inland job. And, 25.3% of those driving from the High Desert on the I-15 would take 10% to work near their homes.
- The latest data available on Inland Empire's weekly wages & salaries (2004) are from the CA Employment Development Department. The comparisons included 537 occupations common to the Inland Empire and Los Angeles County (78 over \$55,000), 506 in common with Orange County (65 over \$55,000) and 499 in common with San Diego (61 over \$55,000).
- Pay levels for 36 assorted occupations in 2004 are shown in Exhibit 129.

**Exhibit 129.-Wages & Salaries, Inland Empire
Selected Occupations From 602 Available, Mean Annual Pay, 2004**

Occupation	Annual	Occupation	Annual	Occupation	Annual
Manager, Financial	\$86,258	Tool & Die Maker	\$44,200	Secretaries, Not Legal, Medical	\$30,181
Manager, Industrial Production	78,395	Mechanical Drafters	41,018	Telemarketers	28,766
Computer Programmers	71,011	Carpenters	40,373	Manufacturing Bakers	27,310
Manager, Purchasing	69,181	Truck Drivers: Heavy	38,699	Truck Drivers: Light	26,157
Engineering, Electrical	68,328	Automotive Techs & Mechanics	36,150	Clerks, Shipping & Receive	25,917
Computer Systems Analyst	66,165	Computer Operators	35,194	Extruding Machine Operator	25,792
Engineers, Mechanical	66,165	Maintenance: Machinery	34,237	Clerks, General Office	24,731
Registered Nurse	63,336	Biological Technicians	33,675	Electrical Assemblers	24,606
Supervisor, Front Line: Logistics	48,882	Clerks, Bookkeeping & Acct.	32,926	Electro-Mechanical Assembly	22,734
Industrial Machinery Mechanic	47,965	Desktop Publishers	32,698	Helpers, Production Workers	20,380
Supervisor, Front Line: Production	46,654	Operator, Computer Control Tools	30,534	Janitors	21,861
Computer Support Specialist	44,762	Lathe Operator	30,514	Packers & Packagers	17,632

Source: Occupation Employment Survey, 2004

**Exhibit 130.-Burlington Northern Santa Fe Railway Container Lifts, 1986-2004
San Bernardino, California**



Source: Burlington Northern Santa Fe Railway

Inland Empire's Sophisticated Logistics Infrastructure . . .

- Firms locating in Riverside have uncongested access to the Inland Empire's sophisticated and expanding logistics infrastructure. This is crucial to goods producers and distributors in the Just-In-Time inventory control era.
- As indicated in Chapter 6 (*Industrial*), the Burlington Northern Santa Fe Railway opened its huge container lift capacity intermodal rail facility in San Bernardino in 1996. That has allowed the railroad's volume to soar to 557,170 lifts in 2004 (*Exhibit 130*). Inland Empire firms can use this facility and avoid the congested intermodal rail yards in Los Angeles County's harbor area. Union Pacific Southern Pacific railroad is looking to build a similar facility, possibly in the San Geronio Pass area. The high desert and the I-10 pass area are also being considered for an "inland port" to which international shipments can be brought by rail. Cargo would then be unloaded and the goods distributed to local warehouses until they are needed by Southern California firms. Currently, these shipments are processed in L.A. and 1.28 million containers are brought inland by truck, contributing to local freeway congestion.
- Southern California's trucking firms are increasingly locating their major cargo handling facilities in the Inland Empire. Most of Southern California's large "Less Than Load" firms bring their Southern California shipments to cross-docks in the area for processing. DHL now has its western regional headquarters at joint use March Air Reserve Base. The regional facilities for UPS (*Ontario International Airport*) and Federal Express Ground (*Rialto*) are also located here (*Exhibit 131*).

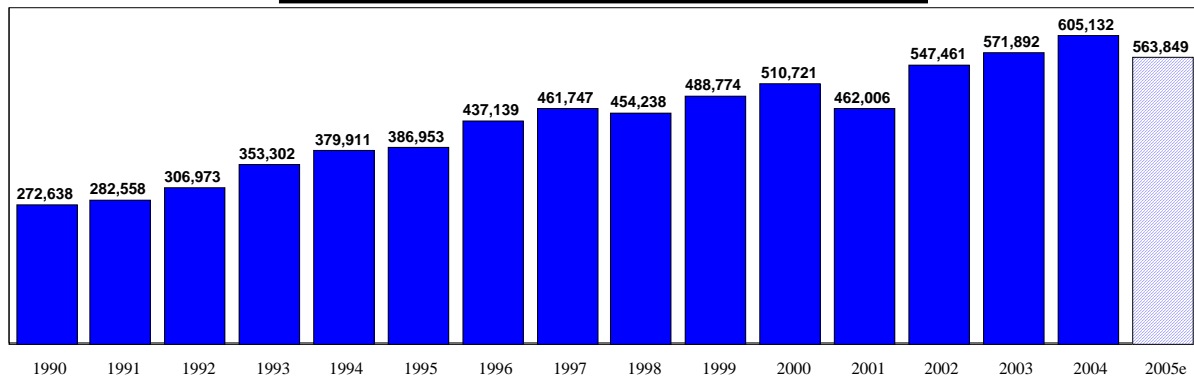
Inland Empire Market

- Firms locating in Riverside and the Inland Empire generally save time, as their cargo does not have to move across the congested Los Angeles basin before being processed and shipped across the country.

**Exhibit 131.-Regional Truck Cargo Centers
Inland Empire, 2005**

Firm	Location
Trucking: Full Load	
JB Hunt Transport, Inc.	San Bernardino/Fontana
Trucking: LTL Southern California Centers	
ABF Freight Systems	Adelanto
GI Trucking Co.	Fontana
Yellow Freight Systems	Bloomington, Adelanto, Barstow, San Bernardino
Watkins Freight Lines	Mira Loma
Package Delivery: Southern California Centers	
DHL Western Regional HQ	March Air Reserve Base
Federal Express	Ontario International Airport
Federal Express Ground	Rialto
UPS Western Regional HQ	Ontario International Airport

**Exhibit 132.-Air Cargo Tonnage
Ontario International Airport, 1990-2005e**

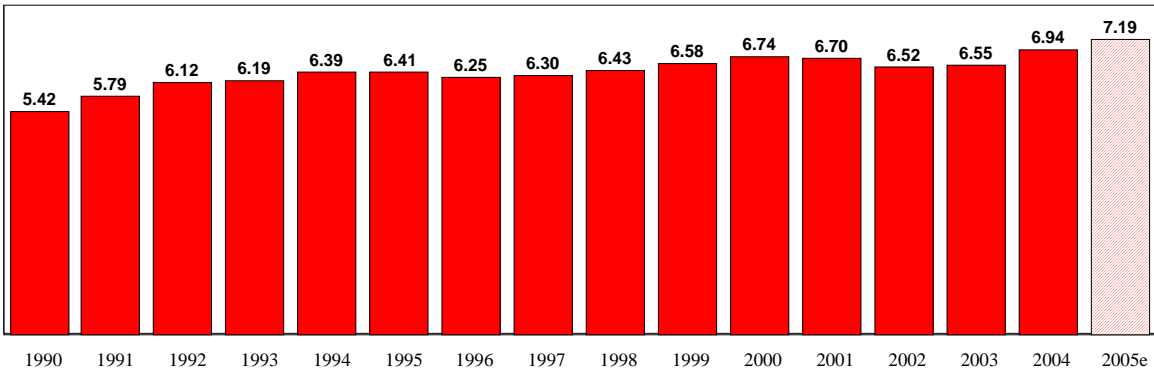


Source: Ontario International Airport

Ontario International Airport . . .

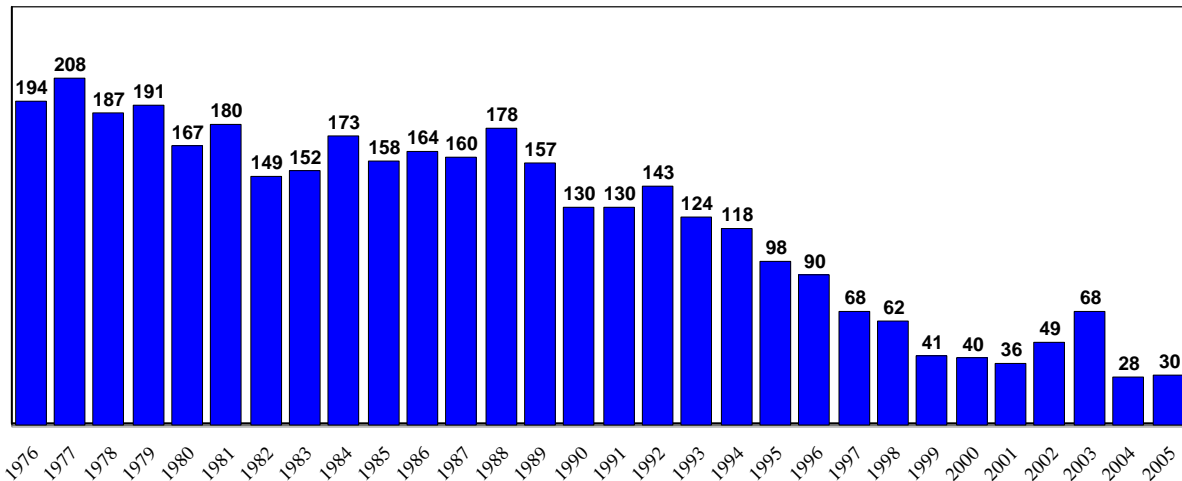
- Firms locating in the Inland Empire have relatively uncongested freeway access to Ontario International Airport. This facility's new 24-gate passenger terminal opened in September 1998. The airport is in the process of expanding its cargo handling capability.
- Ontario International Airport air cargo tonnage is beginning to take off. In 2004, volume reached 605,132 tons, up 5.8% from 2003 (*Exhibit 132*). The airport had a temporary lull in 2001 due to the 9-11 attack and U.S. slowdown but volume jumped back to its long term trend and is now accelerating. Southern California's regional airport policy and the airport's long run trend both call for a vast increase in the number of flights and cargo volume to be handled by the facility. The voter defeat of a second Orange County airport at El Toro underscores this fact. Meanwhile, March Air Reserve Base now hosts the western regional headquarters of DHL.
- From 1990-2000, air passenger volume at Ontario International Airport rose from 5.42 million to 6.74 million, up 24.4% (*Exhibit 133*). Traffic volume was accelerating due to the inland region's growth, the new 26-gate terminal and associated parking plus the expanding flight menu including direct flights to New York and Mexico. The 9-11 aftermath caused volume to plateau in 2002-2003. In 2005, volume will reach a record 7.19 million passengers. By 2022, it is expected to reach 30 million passengers a year, equal to present day Detroit, Miami and Phoenix.

**Exhibit 133.-Air Passenger Service
Ontario International Airport, 1990-2005 (millions)**



Source: Los Angeles World Airports

**Exhibit 134.-Southern California Air Quality
Days Exceeding Federal Standard, 1976-2005 (Maximum: .12 ppm Ozone)**



Source: South Coast Air Quality Management District

Air Quality . . .

- During the past 28-years, even the air quality in urbanized Southern California has dramatically improved. The Southland had a peak of 208 days above the federal ozone standard in 1977. That number was down to just 30 in 2005 (*Exhibit 134*). There has been only one first stage smog alert (*lowest level*) in Southern California in the past seven years (2003). The peak was 121 in 1997 (*not shown*).

Inland Empire Weather. . .

- Inland Empire residents enjoy an extraordinary environment for outdoor living. In the urban valleys where Riverside is located, the high temperature varies from an average of 66 in December and January to averages of 94 and 93 in July and August. As the region is a coastal desert climatic zone, the humidity tends to be relatively low most of the year (*Exhibit 135*).

